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**THE EFFECTS OF FINANCIAL CONTROLS
ON
ACTIVITY OPERATIONS**

by
Maureen Alexander

December, 1997

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The Quadrennial Defense Review underscored the importance of reevaluating the operation of the Department of Defense. The Department of the Navy Organization Management and Infrastructure Team is charged with generating analysis to arrive at recommendations for change that will improve decision-makers information and incentives. Through the use of survey research, and sorting techniques, this thesis identifies the need for budget flexibility during the execution phase for commanders to address emergent issues at the local level, especially at Recruiting, Supply and Support commands. Financial controls such as fences, floors, ceilings and thresholds erode the commander's ability to manage the organization effectively. The financial controls and reduced funding combine to cause difficulties in command operations. The result is a hierarchy of funding. The mission first, quality of life second and facilities last. A model program, exercising budget flexibility during the budget execution phase, is recommended to provide further concrete evidence.

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ON
ACTIVITY OPERATIONS**

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Submitted in partial fulfillment of the
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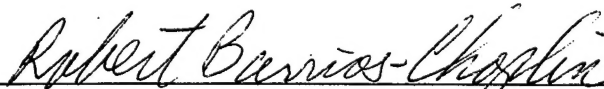
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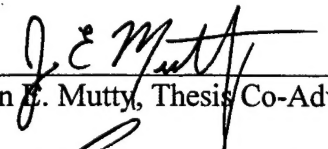


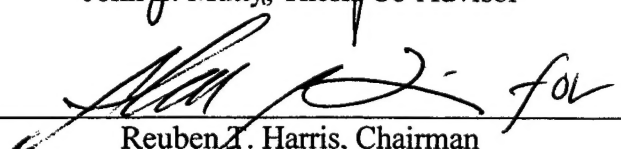
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ABSTRACT

The Quadrennial Defense Review underscored the importance of reevaluating the operation of the Department of Defense. The Department of the Navy Organization Management and Infrastructure Team is charged with generating analysis to arrive at recommendations for change that will improve decision-makers information and incentives. Through the use of survey research, and sorting techniques, this thesis identifies the need for budget flexibility during the execution phase for commanders to address emergent issues at the local level, especially at Recruiting, Supply and Support commands. Financial controls such as fences, floors, ceilings and thresholds erode the commander's ability to manage the organization effectively. The financial controls and reduced funding combine to cause difficulties in command operations. The result is a hierarchy of funding. The mission first, quality of life second and facilities last. A model program, exercising budget flexibility during the budget execution phase, is recommended to provide further concrete evidence.

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I. INTRODUCTION

A. GENERAL

Naval activities receive their funds from many different sources. To control the use of these funds each source has rules and regulations dictating the use of these funds, some rooted in legal statutes. At the activity level, these rules often seem to conflict with the actual and perceived requirements of the activity. Consequently, Commanding Officers often complain about the effects of funds controls such as fences, floors, ceilings and thresholds at the activity level. A study conducted by the Department of the Navy Organization Management and Infrastructure Team, (DONOMIT) of on-site visits to 33 echelon II Navy and Marine Corps commands during the Spring/Summer 1996, confirmed the claim that funds controls cause negative effects at the activity level. Limitations and restrictions on the use of financial resources were issues raised at almost all of the activities visited.

Many consider that the funds controls effectively create barriers to effective resource management. They

believe the controls are inflexible and too complex to allow the Commanding Officer to have the ability to respond to local issues.

The resulting effect of the controls at the activity level leave deficiencies in areas the Commanding Officers deem more important than some of the programs they are compelled to fund by direction of the financial controls. The controls effectively take away the incentive to save funds.

There is no incentive for commands to save funds. If you save money in the current year, you will probably not see it included in your base the following year. Comptroller statement

People are selected to command; by extension, we are expected to make judicious decisions that affect the effectiveness of our commands in mission accomplishment. It is given that resources are limited and being reduced in each succeeding year, however fences do not allow the person responsible for mission accomplishment to apply these ever dwindling limited resources to what they believe mission requirements dictate. In short, I am responsible; I am accountable, but I do not have full authority to accomplish my mission. Commanding Officer statement.

B. OBJECTIVE OF THE RESEARCH

This work quantifies the issues and effects of financial controls on Department of the Navy activity management.

C. RESEARCH QUESTIONS

This research answers the following primary and subsidiary questions.

1. Primary

What are the effects of financial controls on activity operations?

2. Secondary

Do financial controls affect activity operations?

How do financial controls affect activity operations?

What deficiencies, if any, exist as a result of each type of financial control?

Are financial controls more problematic for one type activity?

D. METHODOLOGY

The data were primarily gathered via survey from Navy and Marine Corps commands located within the US with over 100 personnel assigned. The data were analyzed using

demographic and command characteristics, looking for trends based on statistical methods. A more detailed explanation of the methodology is contained in chapter III.

E. SCOPE AND LIMITATIONS OF THE THESIS

This thesis concentrates on the Department of the Navy, including the Marine Corps' resource structure for activity funding within the United States and investigates the financial controls' impact on activity operations. The measurement and quantification of the actual impact on activity operations was limited by the absence of consistent activity output measures.

The survey questionnaire design somewhat limited the responses from the major claimants due to the echelon IV activity bias contained in the questions. The survey was designed to capture the effects of the financial controls on the command's ability to perform its mission as the Commanding Officer deemed appropriate. The survey was not designed to capture the command's ability to impose its will on subordinate activities.

F. ORGANIZATION OF THE STUDY

Chapter II presents a background of the Department of the Navy activity financial controls.

Chapter III describes the basic research methodology and design of the survey.

Chapter IV presents the data received from the survey respondents including a discussion of the survey respondents' demographics, the number of surveys used, the response totals, and describes the data analysis.

Finally, Chapter V provides the results of the analysis, proposes recommendations for financial controls and future research, then concludes with a brief summary.

II. BACKGROUND

A. CHANGING ENVIRONMENT

The environment of the Department of Defense is changing. The deficit has gained the attention of Congress and the Cold War is over. As a direct result of the post-Cold War environment, the Base Realignment and Closure Act (BRAC) was passed to focus on reducing the infrastructure supporting the operational forces poised against the now non-existent Cold War enemy to find ways to increase effectiveness and efficiency simultaneously. The Quadrennial Defense Review (QDR) of 1997 continues the search for processes to increase effectiveness and efficiency.

1. Deficit

The deficit impacted the Department of Defense in tangible ways.

The growing American deficit resulted in the Balanced Budget and Emergency Deficit Control Act of 1985, known as Gramm-Rudman Hollings, mandating a balanced budget within 5 years.

The Balanced Budget Act marked an end to the rapid defense buildup of the early 1980's. Beginning in 1968 defense spending leveled out and began to decline slightly in real terms. During the 1980's defense spending was a dynamic component to a rapidly changing budget. In the first half of the decade, the United States engaged in the most rapid, peacetime, defense buildup in history. After 1985, as the deficits remained unresolved, a steady erosion of both budget authority and real outlays occurred. [Ref.1]

Both the laws that Congress enacted to address the deficit and public opinion pressured Congress to find opportunities to reduce the deficit. The Department of Defense provided a large target for deficit reduction.

2. Cold War

During the Cold War, part of the National Strategy included surpassing the Soviet Union in ability and might. The Navy was increasing its arsenal to 600 ships as well as the infrastructure to support those ships. The United States was postured to defend its interests by fighting if necessary on the open ocean against the Soviet threat.

Upon the fall of the Soviet Union and the communist block countries, the United States had to reconsider the National Strategy of employing large numbers of open-ocean fighting ships. The new National Strategy continues "the

restructuring of America's defense posture to reflect the end of the Cold War and the collapse of the Soviet Union."

[Ref. 2] The end of the Cold War coincided with increased efforts towards deficit reduction. As LeLoup states, " Since the fall of communism and the collapse of the Soviet Union, many have looked to savings in defense spending - the peace dividend - to help solve the nation's budget woes."

[Ref. 1] The Department of Defense, already deemed a likely target for a budget cut, in the post Cold War era was expected to provide deficit relief in the form of peace dividends. One obvious peace dividend was the reduced need for installations and organizations primarily positioned to address the Soviet threat.

3. Defense Base Realignment and Closure Act (BRAC)

The Base Realignment and Closure Act (BRAC) resulted in installation closures and command realignments in 1991, 1993, and 1995. BRAC significantly reduced base infrastructure and successfully established effective processes for conducting independent appraisals of the relationships among force structure, resource levels and basing structure. The independent appraisals were

particularly adept at evaluating the future needs of the Department of Defense, and developing recommendations for improvement for review by the Secretary of the Defense and the Secretaries of the Army, Air Force and Navy.

4. Government Performance and Results Act (GPRA)

Congress continued to focus on the financial activities of the Federal Government in an effort to find ways to reduce spending.

On August 3, 1993, Congress passed P.L. 103-62, the *Government Performance and Results Act of 1993* (GPRA). The significance of this act is evident in the Office of Management and Budget (OMB) FY96 Circular No. A-11 (*Preparation and Submission of Budget Estimates*.) Under these guidelines, justification of programs and program funding will now require the use of performance indicators and goals as set forth by the GPRA. [Ref.3]

5. Quadrennial Defense Review (QDR)

The Quadrennial Defense Review (QDR) included in the National Defense Authorization Act for fiscal year 1997 addresses the need for a change in the way the Department operates. The QDR states "the rapid rate of change in the world since the end of the Cold War underscores the importance of undertaking such a reexamination (QDR) on a regular basis." [Ref. 4]

To achieve the Defense infrastructure of the 21st century,

Our military forces and operations are changing dramatically in response to the changing security environment and advances in technology. The way we support the warfighter must also change. The Department must be leaner, more efficient, and more cost effective in order to serve the warfighter faster, better, and cheaper. We not only have the opportunity to change,[sic] we have the requirement to change. The forces envisioned in *Joint Vision 2010* will require a radically different support structure. Achieving those forces will also require steadily increasing investments. To afford these investments, the Department will need to achieve offsetting efficiencies in support operations. [Ref. 4]

B. DEPARTMENT OF THE NAVY RESPONSE TO CHANGING ENVIRONMENT

1. Study/Brief Background

In response to the changing environment, the Secretary of the Navy, John H. Dalton signed SECNAV Instruction 11000.3, ORGANIZATIONAL, MANAGEMENT, AND INFRASTRUCTURE REVIEW on 1 December 1995. The purpose of this instruction was the following:

To establish procedures for the Department of the Navy to improve its efficiency and effectiveness by developing processes and identifying opportunities for outsourcing, privatization, restructuring, and improving information and incentives for resource managers and other decision-makers. [Ref. 5]

Based on the success of the BRAC process, the Secretary of the Navy tasked the Under Secretary to establish an analysis team to "generate the analysis required to arrive at recommendations for changes that will improve decision-makers information and incentives, and will further contribute to restructuring and the establishment of profit incentives where privatization is contemplated." [Ref. 5]

2. Findings

SECNAV instruction 11000.3 directed the Analysis Team, formally called Department of the Navy Organization Management and Infrastructure Team, (DONOMIT) to gather concrete data and analyze those data. The team visited 33 sites, primarily echelon II, commands including 12 USMC Commands; interviewed 150 Flag/General Officers and Senior Executives and developed 63 issue statements. The issues were briefed to Department of the Navy leadership in October 1996. The Secretary of the Navy approved proceeding to the

analysis phase in the spring of 1997. [Ref. 6] One of the most pervasive issues that appeared repeatedly was concern around the limitations and restrictions on the use of funds. The following are samples of the statements from the DONOMIT initial study:

Slow and inflexible budget reprogramming rules pose barriers to innovation and incentivize managers to suboptimize resources or violate regulations.

The elimination of "M-accounts" has failed to incentivize timely resolution of contract issues and instead has severely limited flexibility in the execution of current-year funds.

Resource managers are disincentivized in supporting new efficiency measures when they cannot directly reutilize the resource savings from those measures.

The Planning, Programming and Budgeting System (PPBS) disincentivizes insertion of up-to-date technology because of the long time it takes to get ideas funded and executed.

A basic understanding of budget execution is necessary to appreciate the source and impact of these concerns.

C. BUDGET EXECUTION

Budget execution is "that phase of the budget cycle in which agencies actually obligate or commit funds in pursuit of accomplishing programmatic goals." [Ref. 7]

1. Process

a) *Planning, Programming and Budget System (PPBS)*

Through the Planning, Programming and Budgeting System (PPBS), the Navy and Marine Corps budgets begin formulation following the Defense Planning Guidance (DPG) developed from the National Security Strategy.

In the first phase, planning, the threat is assessed, and a strategy is developed. The planning phase results in the DPG.

In the programming phase, the requirements to support the strategy are estimated and programs are developed to accomplish the strategy. The programming phase is completed when the Secretary of Defense signs the Program Decision Memorandum (PDM). The PDM is then used as the basis for the budget submission.

The budgeting phase then takes the PDM and translates the approved programs into financial terms. It

is during budget formulation that the inputs from the claimants and sub-claimants are combined with the PDM. After a series of reviews and modifications, the budget request is sent to the Secretary of Defense, who then provides input to the President. The budgeting phase is complete when the President sends his budget to Congress about eight months before the execution year.

Congress then reviews the President's budget proposal and through the committee process authorizes the selected programs in law. Appropriations committees then establish the actual amounts for each authorized program in law. The budget is then submitted to the President for approval, subject to line item veto. The President's approval sets the budget. [Ref. 8]

The approved budget is then distributed for execution at the activity level theoretically on October 1, more than a year after the activity's budget submission for that fiscal budget year.

b) Execution

Budget execution is the process of carrying out programs using the appropriated and apportioned funds needed. Budget execution involves a set of procedures to control and evaluate the expenditure of funds to ensure compliance with regulations and limitations established by Congress, the General Accounting Office, the Treasury Department, the Office of Management and Budget, and the Secretary of Defense. [Ref. 8]

Each activity is charged with executing the current budget which may or may not resemble the budget request submitted more than eighteen months prior and comply with all of the laws, regulations and guidance provided by the budget process.

2. Rules and Regulations

Along with the first article of the Constitution of the United States which states, "No money shall be drawn from the treasury, but in consequence of appropriations made by law," [Ref. 9] and several sections of Title 31, United States Code, the Office of Management and Budget establishes budget execution controls. One of the requirements for budget execution dictates the establishment of financial control systems for federal agencies.

These systems will also provide reasonable assurance that transactions are properly recorded and accounted for to permit the preparation of reliable financial reports and to maintain accountability over assets; that funds, property, and other assets are safeguarded against loss from unauthorized use or disposition; and that transactions, including those related to obligations and costs, are executed in compliance with laws and regulations. [Ref. 10]

As the budget filters down to the activity level, each agency, or echelon commander attaches financial controls thought necessary to ensure compliance with the rules and regulations governing use of the funding and to ensure the effective operation of the planned programs. The Office of the Secretary of Defense provides its controls to the Office of the Secretary of the Navy, who then provides its controls. Each major claimant provides further guidance as it distributes the funding. At each activity level, further guidance is provided to subordinate activities.

The more command levels between the operating activity and the congressional source of the funds, the more financial controls become attached to the funds. Even more complications arise when activities receive funding from more than one source.

3. The Unified Budget Test

In the 1980's the Department of Defense conducted The Unified Budget Test to determine "whether their ability to accomplish their missions would be enhanced. The test installations clearly demonstrated that this management approach yields more defense capability for the dollar."

[Ref. 11] The test was conducted as follows:

No additional money was given to the six commanders...Commanders at test installations were to have the greatest flexibility the Department could provide them consistent with the law and Congressional direction... commanders at these installations were to be free to "trade-in" money from one account for money from another... The Service comptrollers made sure that no more money was spent in any single account than the Congress had authorized and appropriated... The Deputy Secretary also stated that he wanted at least four major accounts included in the test; operations and maintenance, procurement, military construction, and military family housing. [Ref. 12]

As indicated in a letter from the Deputy Secretary of Defense, William H. Taft IV, to the Service Secretaries, providing the installation commanders with greater budget flexibility allowed "us to get more for our dollars." [Ref. 11]

The results included in *A Special Report from the Deputy Secretary of Defense* are compiled below:

The most important result was a real increase in mission performance. The Army, which ran the most sophisticated test, demonstrated a three percent increase in mission effectiveness at both its test installations. Analysis of the 'trade-ins' at the six test installations showed that most of the money was in the right place--just where it was predicted to be needed three years earlier. But between seven and ten percent of the money was in the wrong place. One military department found that the trades tended to balance without correction at year's end. That means that the rigid controls and countless hours of checking and re-checking, auditing, and re-auditing, inspecting and re-inspecting are unnecessary. [Ref. 12]

4. Terminology

Several terms will be used throughout this thesis and are explained below.

a) Ceiling

-A maximum amount of funding designated for a specific purpose. This financial control is used to prevent a program from expanding. The command can fund the program at any level up to a specific point.

b) Fence

-Explicit limitations on uses of funds. Fences prevent the transfer of funds from one program to another.

This control ensures that funds designated for a particular program, are spent only on the specified program.

c) Financial Control

-Systems to ensure appropriate use and distribution of funds. Ceilings, fences, floors and thresholds are examples of financial controls.

d) Floor

-A minimum amount of funding designated for a specific purpose. This financial control is used to ensure a program receives a certain level of funding. The command can allot more than the prescribed floor, but not less.

e) Threshold

-A limit upon the use of funds. A threshold is a level which determines what type of fund may be used. For example, currently Operations and Maintenance, Navy (O&M,N) funds may not be used to purchase single items or systems up to the value of \$100k; over that level Other Procurement Navy (OPN) funds must be used.

III. PROBLEM STATEMENT AND METHODOLOGY

A. METHODOLOGY SELECTION

1. Problem Genesis and Statement

The methodology selected for this thesis followed the flow chart "A Framework for Research Methodology" by Buckley, Buckley and Chang.[Ref. 13] As stated in Chapter II, Section B of this thesis, DONOMIT conducted formal research by aggregating issues in focus groups. The focus groups all indicated concern over financial controls, but did not specifically identify what problems in activity operation or management were created by the financial controls. This thesis identifies what specific problems are created by the financial controls.

2. Strategy/Technique

This thesis used the induction process to generate a theory that would objectively describe what effect the financial controls have on activity management.

The principal methodology used in this thesis is survey research. The survey questionnaire contained demographic questions and several questions concerning respondent observations and opinions. The survey is contained in

appendix A. Ten telephone and face-to-face interviews to expand on several issues augmented the mail survey format.

The data provided by the surveys are presented in Chapter IV with a complete analysis of the responses addressing the primary thesis question.

B. SURVEY DESIGN

1. Sample Selection

Department of the Navy Organization Management and Infrastructure Team (DONOMIT) provided several lists identifying 410 Navy and Marine Corps commands with populations of over 100 personnel within the United States. The lists were combined into one list. The process used to systematically select the commands for inclusion in the mailing involved deselecting every third and thirteenth command listed to total a sample of 348 shore commands. Seventeen surveys were returned by the Post Office and not included in the analysis due to incorrect addresses, command transfers or reorganizations.

2. Questionnaire Design

The respondents were assured that any specific information derived from the surveys would remain with the

researcher and only trends and non-ascribed comments would be reported in this thesis.

a) Questions

The survey consisted of structured questions: close-ended, providing specific responses; semi-close-ended, providing specific responses with an option to create one's own response; and open-ended questions to allow the respondents to candidly respond any way related to the issue. This tactic was specifically used to reduce survey bias by not constraining the possible responses.

The questions were separated into three sections on the questionnaire, the demographics, the comptroller and the Commanding Officer. The demographics section contained questions concerning the command characteristics. The comptroller section, to be completed by the command comptroller, contained questions concerning the comptroller's experience and information available to the comptroller. In some cases, the comptroller section was completed by the command comptroller or budget analyst.

The Commanding Officer section, to be completed by the Commanding Officer of the organization, contained

questions about the Commanding Officer's experience and information available to the Commanding Officer. In some cases, the Commanding Officer section was completed by a Commander, his or her staff, a Deputy, a Commanding Officer, an Acting Commanding Officer or a civilian Director.

b) Format

The survey questionnaires were mailed to the respondents along with a pre-paid envelope, a cover letter from the researcher and a letter from the Deputy Undersecretary of the Navy.

c) Pretest

After survey construction, a pilot study was conducted to establish face validity, evaluate survey mechanics, check for biases and insure completeness of content. The pilot study indicated the survey only required minimal changes to the wording in some of the questions.

d) Data Input

Survey data were coded and entered using Microsoft Excel spreadsheet software and evaluated using sorting techniques. The coding is contained in Appendix B. The

responses to the open-ended questions were analyzed for similarities and grouped by category. The categories were then coded for input into the computer. A sample of the raw data was coded by an independent coder and compared. The independent coder and the coded survey had a 91% inter-coder reliability.

The first response was given the most weight to identify the initial response as the most important issue to the respondent. Although the relative importance of each response was not obtained by the survey questionnaire, the assumption was that the first response was the most important to the recipient. The respondents provided a point of contact, so commands were queried further when responses appeared conflicting or insufficient.

e) Survey

The surveys were mailed on 26 September 1997. Respondents were asked to return the surveys by 21 October. Returns were accepted for inclusion in this study until 20 November 1997.

IV. DATA

This chapter summarizes the findings obtained from the survey responses.

A. SURVEY RESPONDENTS

1. Sample

348 questionnaires were mailed, 17 were returned as undeliverable, 136 completed responses were returned and included in this analysis, for a response rate of 41.1%. No surveys were rejected due to insufficient information.

2. Sample distribution

a) Activity Size

The survey respondents were asked to identify the size of their command by physical size and the number of military, civilian and contractor personnel assigned. Figures 4.1 and 4.2 show the sizes of the surveyed commands by size and population. The majority of the respondents, 79, were from commands of fifty acres or less, while 56 commands were fifty-one acres or more. The personnel distribution covered a wide range.

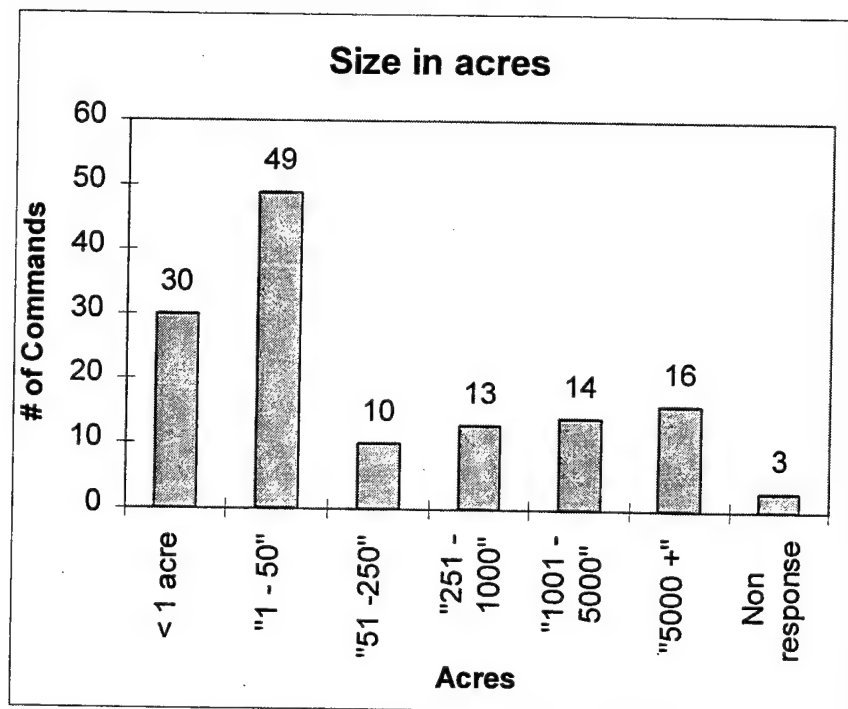


Figure 4.1. Physical Size of Command

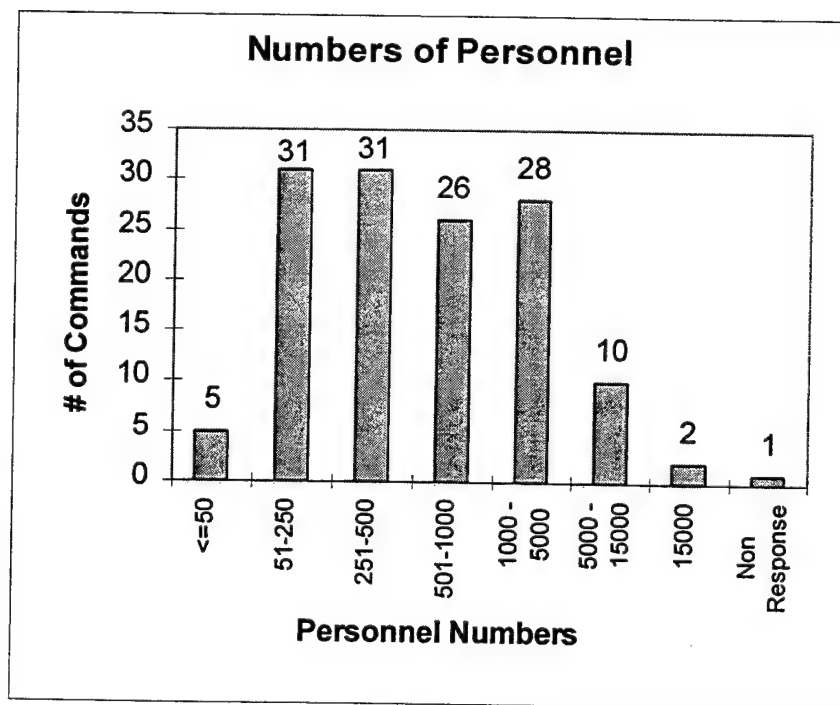


Figure 4.2. Command Size in Personnel

b) Command Mission

The commands were asked to provide their official mission statements. Some commands provided a brief synopsis of their mission and some commands provided complete mission statements. The mission statements were synthesized and categorized into functional areas. The distribution of functions reported by the survey respondents is shown in Figure 3 and a description of the functional categories is shown in table 1. The mission statements are included in Appendix C.

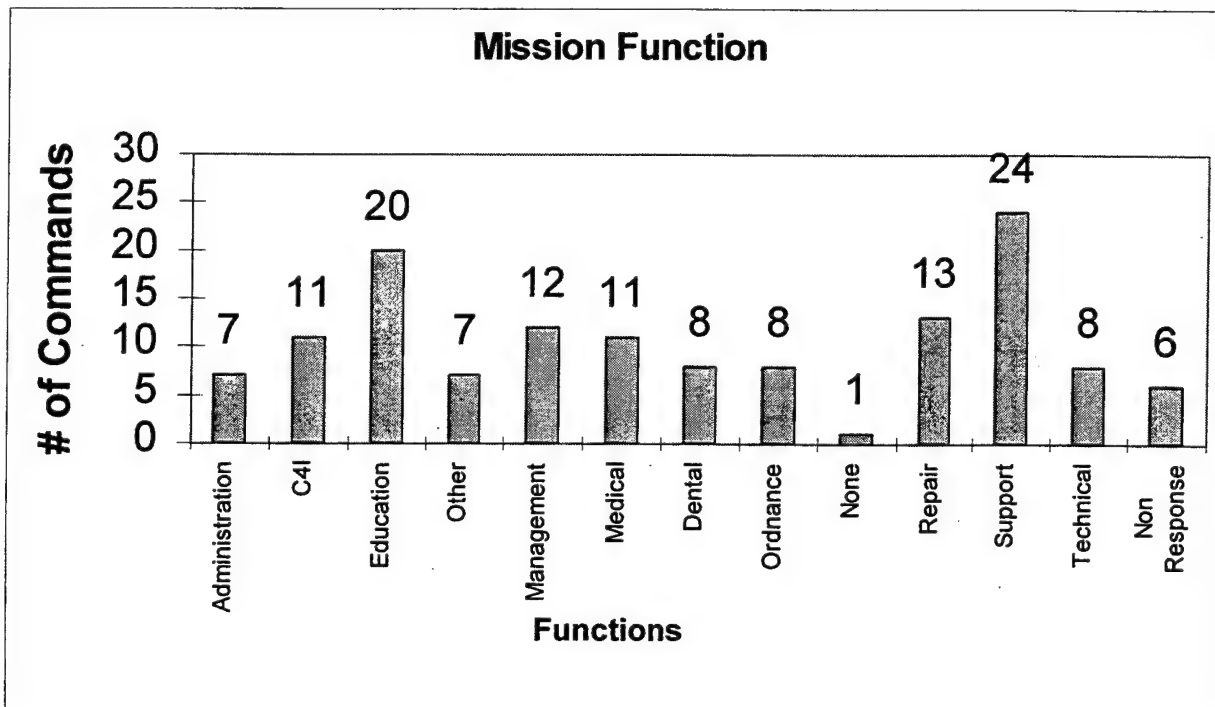


Figure 4.3. Functional Categories of Command Missions

Table 4.1. Mission Functional Categories

Function	Explanation
Administration	Processing and managing paperwork. Ensuring adherence to proper procedure.
C4I	Communications, telecommunications, computers, intelligence, satellite, space systems and information.
Education	Training, personnel and career development not to include medical education.
Management	Oversight of other organizations, provide policy guidance, monitoring functions, resource distribution.
Medical	Hospitals, in-patient, clinic, preventative health, medical education and development.
Dental	Oral health and preventative services.
Ordnance	Explosive storage, distribution, maintenance, and delivery systems. Provide ordnance technical expertise.
None	None
Repair	Repair and maintenance of ships, aircraft and facilities.
Support	Provide support services, facilities and quality of life for other organizations.
Technical	Provide expertise and information for specified functional systems.
Other	Recruiting and supply logistics.
Non Response	Non Response

Some command mission statements covered a myriad of taskings that fit into more than one category. In those cases, only the primary mission was used to categorize the command.

The most frequently reported function was that of Support. This category contained those commands that exist to provide host services to other organizations.

The second most frequently reported mission function was that of Education. This category contained all training and education activities with the exception of medical and dental education.

The Administration category contained those commands whose primary function was managing and processing paperwork.

The C4I, or Command, Control, Communications, Computers and Intelligence category covered the telecommunications, communications and information functions reported by the commands.

The Management category covered those commands whose primary mission was to provide oversight and guidance to subordinate organizations. This category also included commands whose primary mission was contract management.

The Ordnance category included commands whose primary mission related to explosives and associated delivery hardware.

The Repair category included commands whose primary mission was to maintain and repair aircraft, equipment, facilities, or ships.

The Technical category covered those commands whose primary mission was to provide technical expertise in a specific area not covered by C4I.

The "Other" category contained recruiting and logistics or supply functions. There were four recruiting commands and three logistics commands.

c) Major Claimants

The major claimants represented by the sample respondents are reflected in Figure 4.4. The Chief of Bureau of Medicine and Surgery (BUMED) had the largest number of commands included in the survey response. No assumptions can be made about the large number in relation to the other claimants. The survey was random and no measures were made to ensure that each claimant had the same number of commands in receipt of the survey questionnaire. The key to the major claimants cited by the survey respondents is shown in Table 4.2.

Table 4.2. Major Claimants

BUMED	Chief of Bureau of Medicine and Surgery
CNET	Chief of Naval Education and Training
SECNAV/CNO/CNP	Secretary of Navy / Chief Of Naval Operations / Chief of Naval Personnel
CLF	Commander in Chief, U.S. Atlantic Fleet
CPF	Commander in Chief, U.S. Pacific Fleet
NAVSUP	Commander Naval Supply Systems Command
COMNAVAIR	Commander, Naval Air Systems Command
COMNAVCOMTELCOM	Commander Naval Computer and Telecommunications Command
COMNAVFACENGCOM	Commander, Naval Facilities Engineering Command
COMNAVMETOC	Commander, Naval Meteorology Oceanography Command
COMNAVRESFOR	Commander, Naval Reserve Force
COMNAVSEA	Commander, Naval Sea Systems Command
COMNAVSECGRUCOM	Commander, Naval Security Group Command
COMNAVSPWARCOM	Commander, Naval Special Warfare Command
OTHER	Other
USMC	United States Marine Corps
Non Response	Non Response

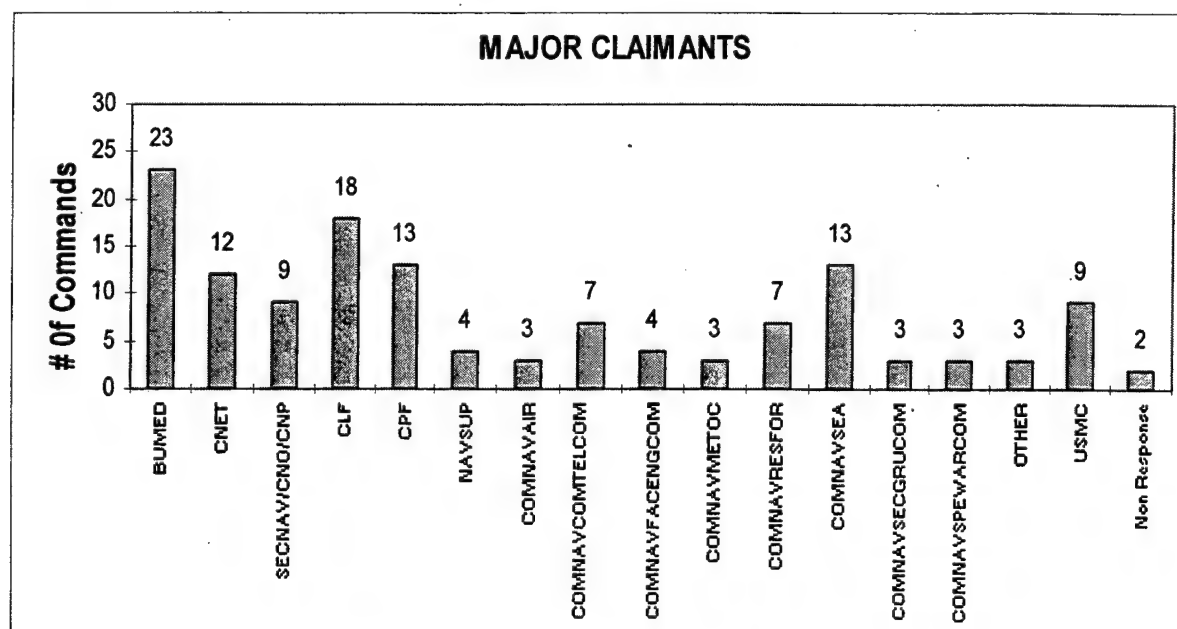


Figure 4.4. Major Claimants

d) Geographic Region

The geographic distribution of the survey respondents is shown in Figure 4.5. The majority of the respondent commands are located on the East Coast.

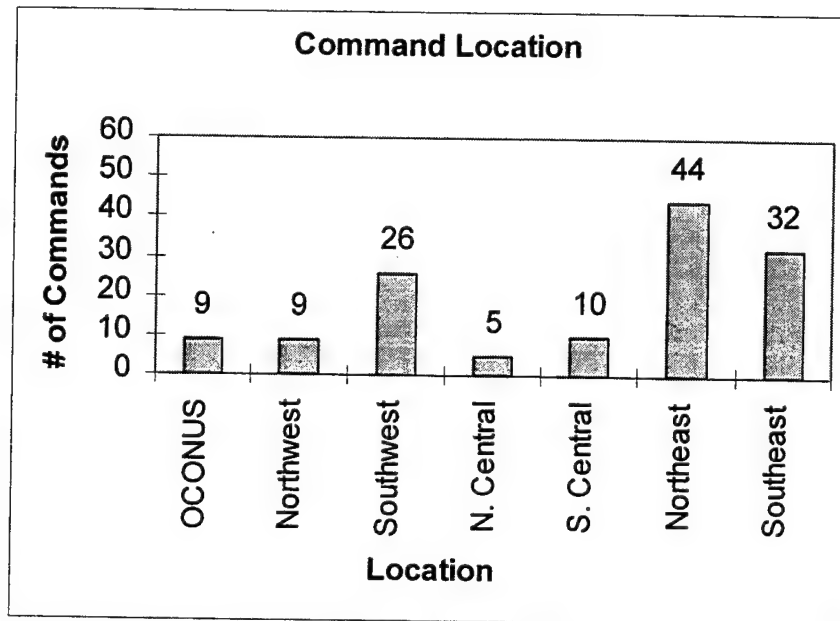


Figure 4.5. Geographic Distribution

e) Host/Tenant Structure

The number of tenant commands responding to this survey outnumbered the host commands by more than two to one. Figure 4.6 shows the specific numbers. The host commands' tenants were mostly shorebased, as shown in Figure 4.7. Those commands that hosted operational commands mainly supported less than 20 operational commands, as shown in Figure 4.8.

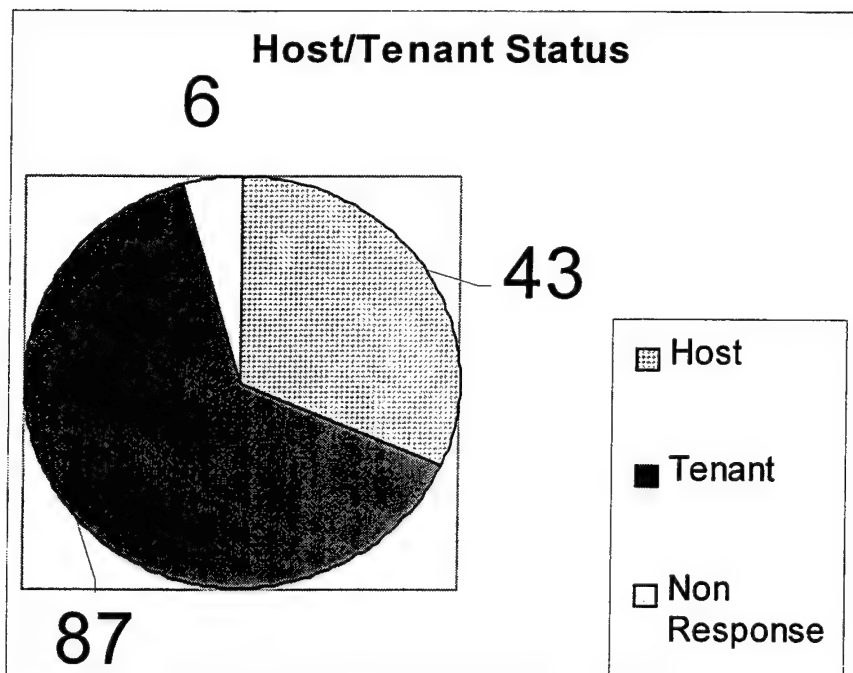


Figure 4.6. Host/Tenant Distribution

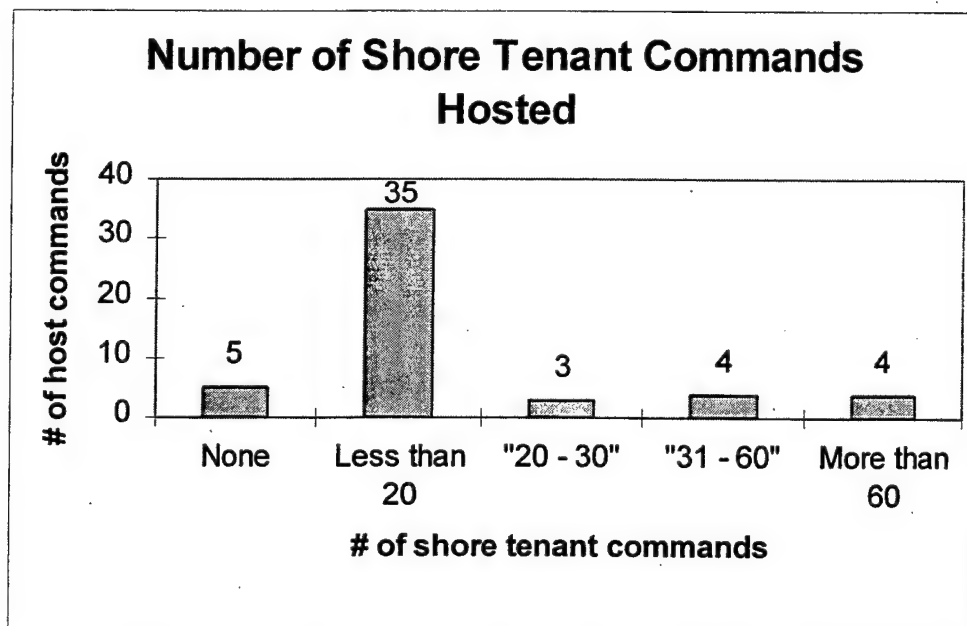


Figure 4.7. Shore Tenant Commands Hosted

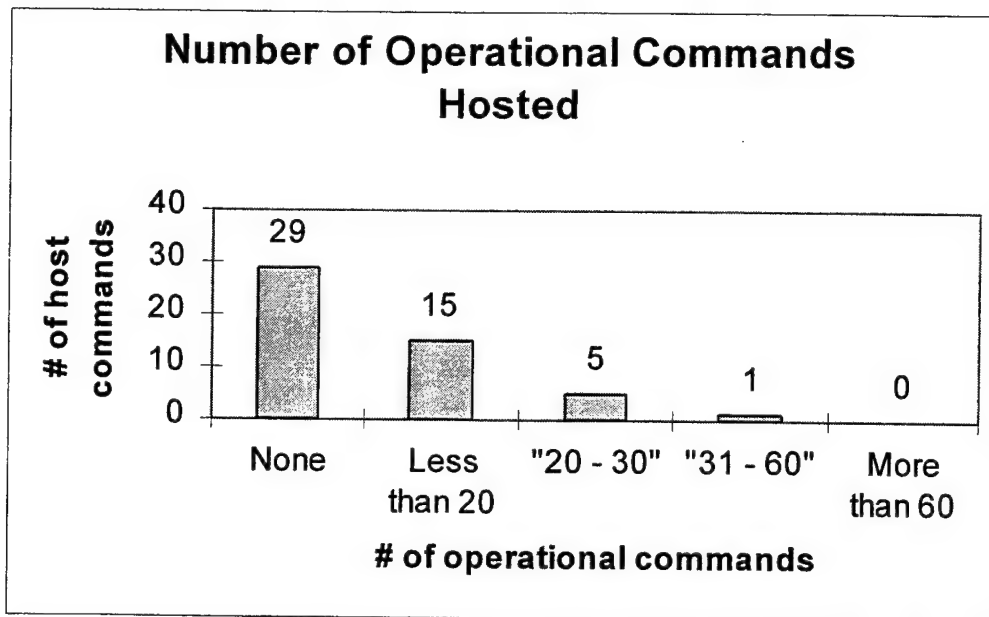


Figure 4.8. Operational Tenants Hosted

f) Comptroller Experience

It should be noted that the respondents to the comptroller section of the survey included comptrollers and budget analysts, hereafter referred to as comptrollers.

The comptroller's experience was divided into three categories, Financial Management experience, (Figure 4.9); Navy specific Financial Management experience, (Figure 4.10); and Navy experience (Figure 4.11). Figure 4.12 shows the breakdown of civilian to military comptrollers.

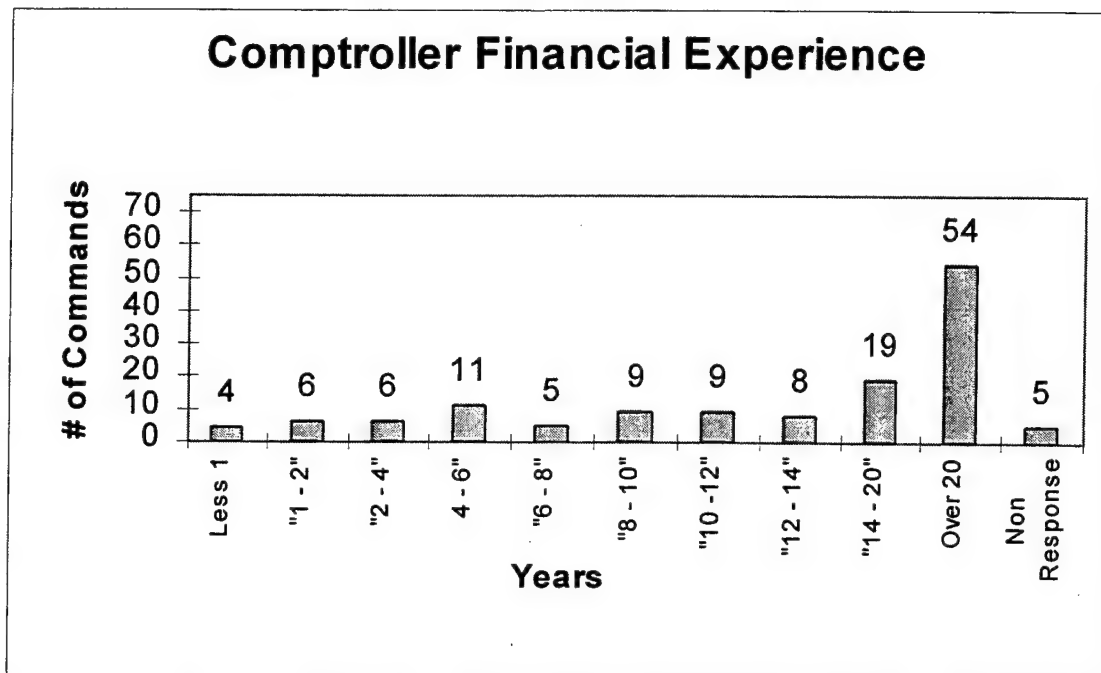


Figure 4.9. Comptroller Financial Experience

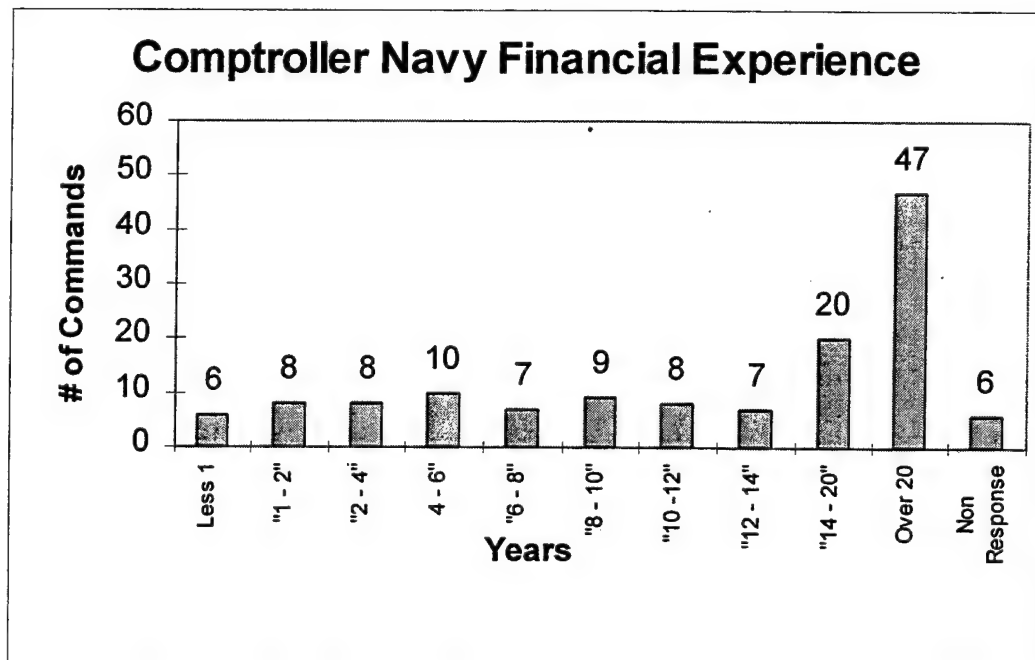


Figure 4.10. Navy Specific Financial Management Experience

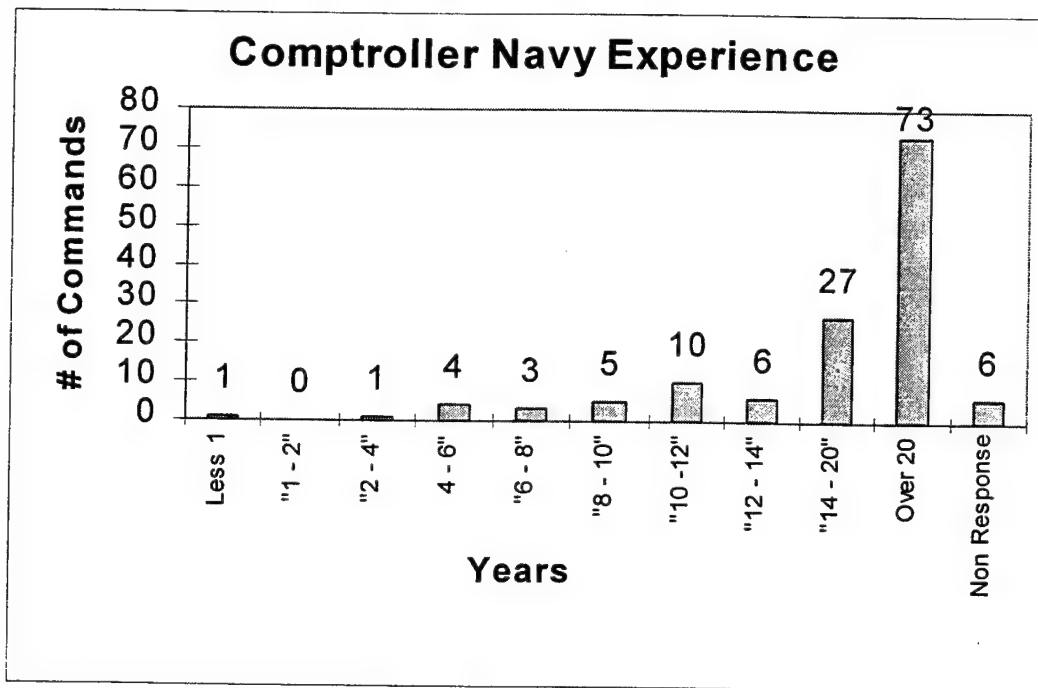


Figure 4.11. Comptroller Navy Experience

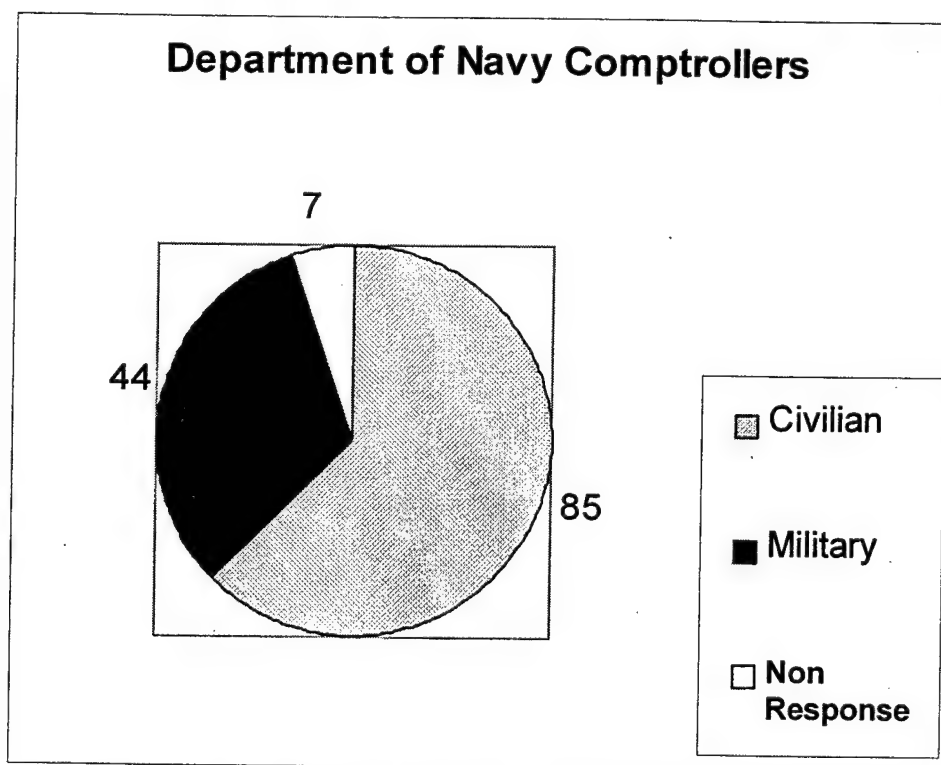


Figure 4.12. Distribution of Civilian & Military Comptrollers

Seventy-three comptrollers reported having fourteen or more years of financial experience, and sixty-seven reported having fourteen or more years of Navy specific financial experience. Almost twice as many comptrollers reported to be civilian than military. It is interesting to note that the amount of Navy experience overall is higher than either the financial management experience or the Navy specific financial management experience. This would suggest that many comptrollers had prior Navy experience, not necessarily in the financial arena.

Figure 4.13 shows the civilian comptroller and Figure 4.14 shows the military comptroller financial management experience levels. Figure 4.15 shows the civilian and Figure 4.16 shows the military Navy specific financial management experience levels. The civilian comptrollers are generally more experienced, with an average of 16.5 years, than the military comptrollers. This would suggest that the civilian comptrollers responding to the survey had spent

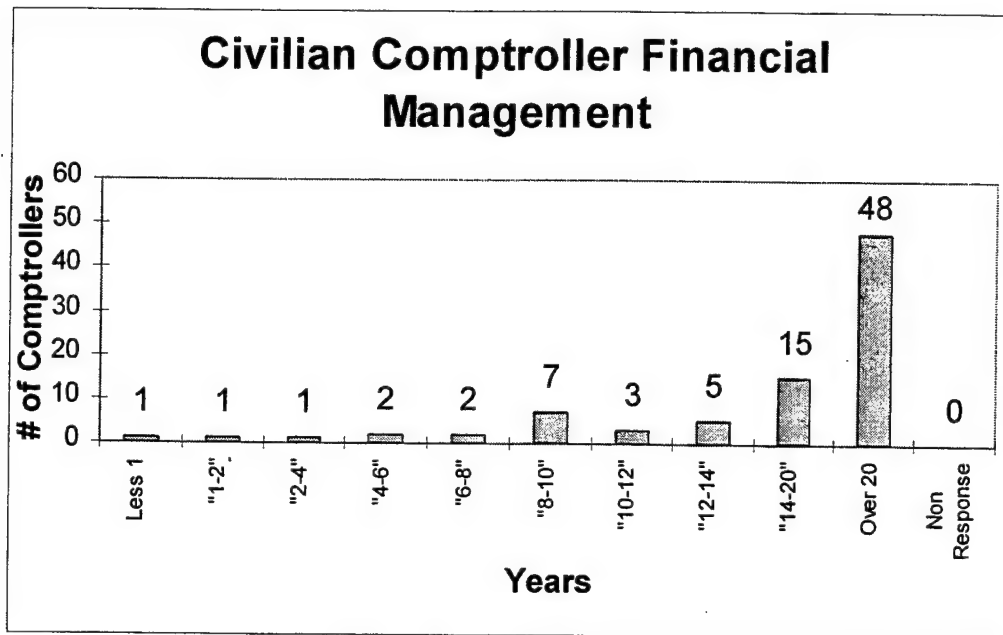


Figure 4.13. Civilian Comptroller Financial Management Experience

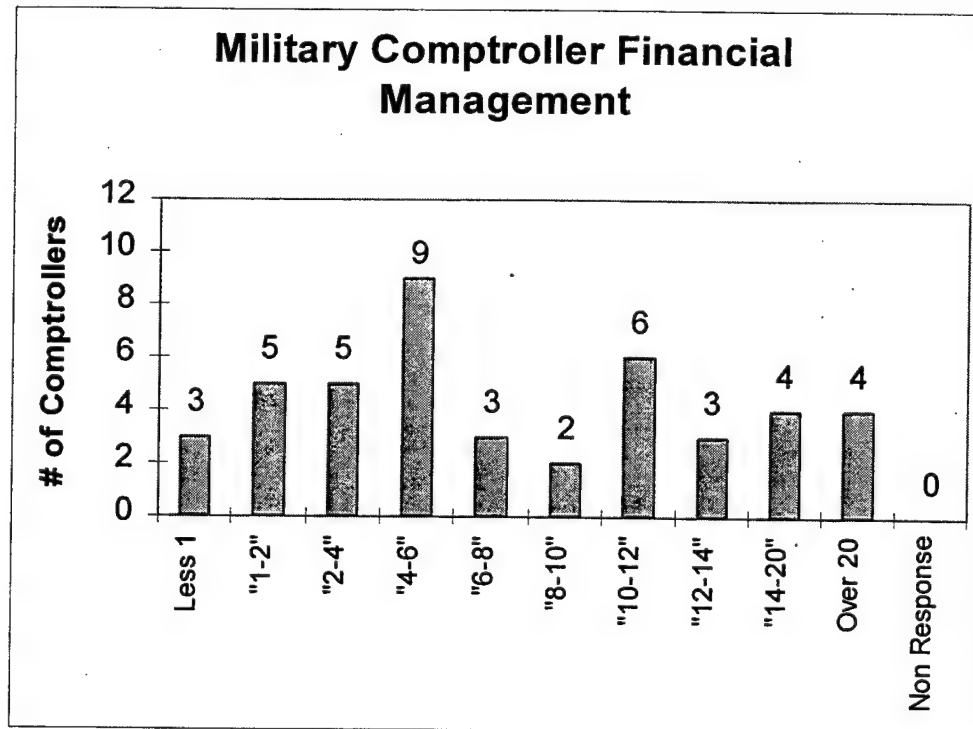


Figure 4.14. Military Comptroller Financial Management Experience

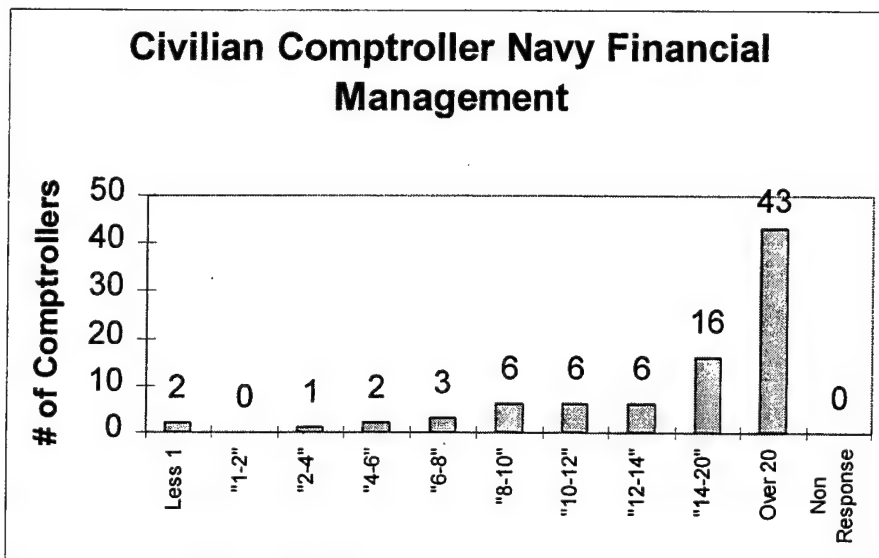


Figure 4.15. Civilian Comptroller Navy Financial Management Experience

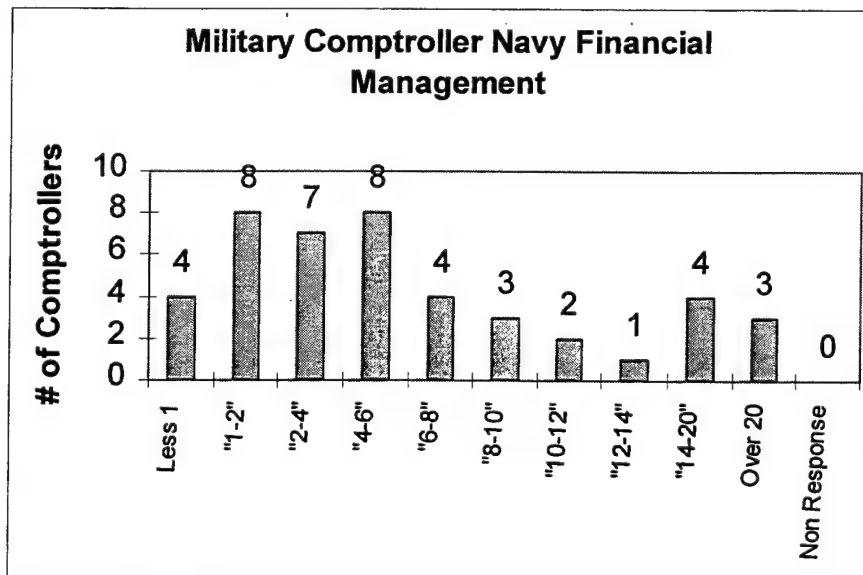


Figure 4.16. Military Comptroller Navy Financial Management Experience

their careers in the Navy Financial Management area. The military comptrollers responding to the survey had spent an average of 8.2 years in the financial management area.

g) Commanding Officer Experience

It should be noted that the Commanding Officer section of the survey included responses from Commanders, Commanding Officers and Civilian Directors. The most frequently reported time spent in the current Commanding Officer billet was less than twelve months. Ninety-three reported that they had been in command on the current tour for eighteen months or less as shown in Figure 17. The majority of the sample Commanding Officers expected their

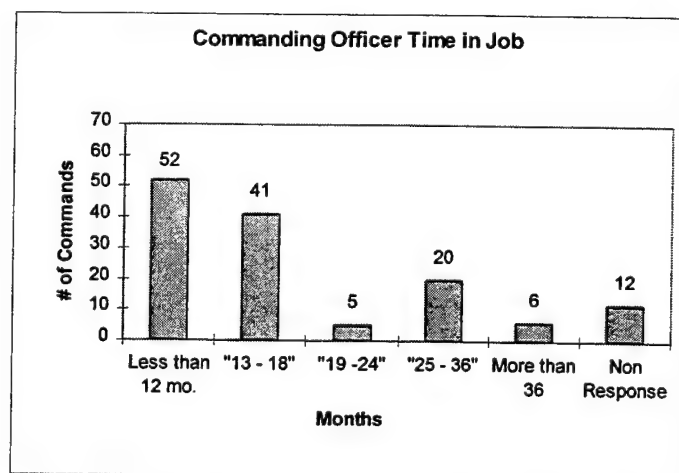


Figure 4.17. Commanding Officer Time in Job

tour length to be between two to three years as shown in Figure 18. More than fifty percent of the Commanding Officers had commanded a previous command with a budget as shown in Figure 19.

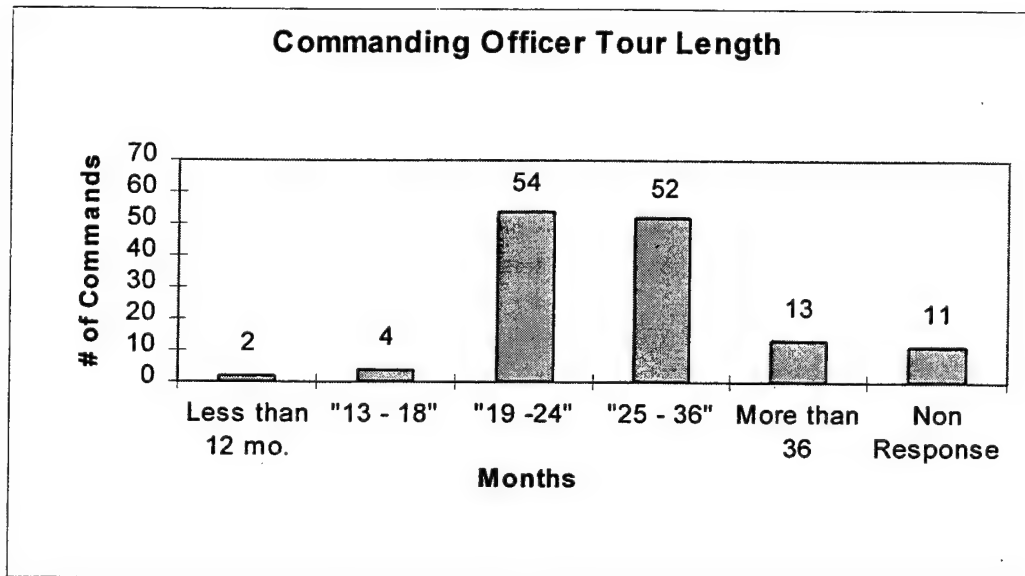


Figure 4.18. Commanding Officer Expected Tour Length

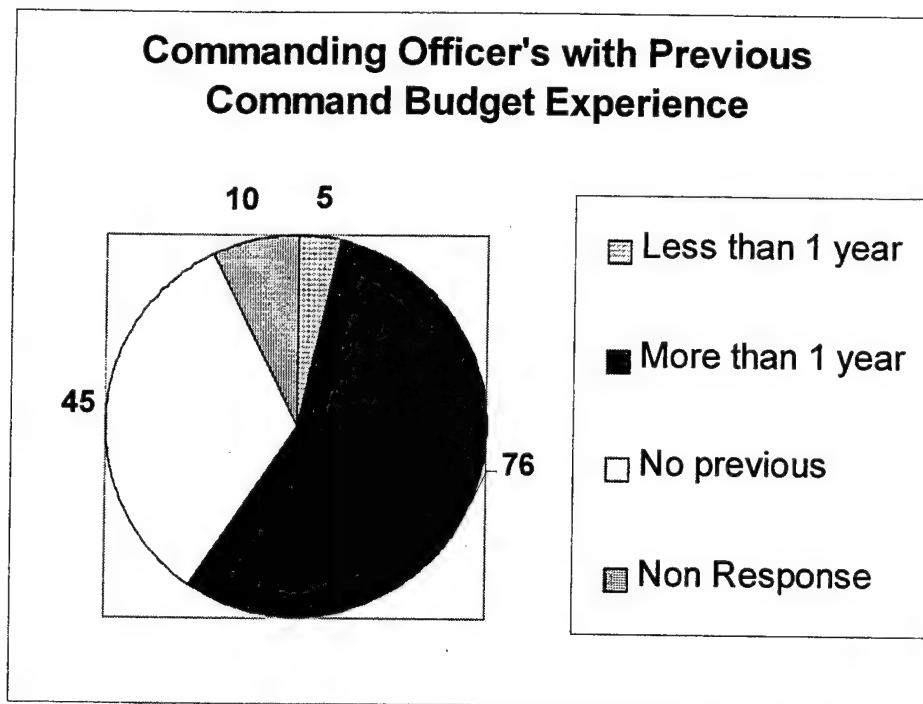


Figure 4.19. Commanding Officers with Budget Experience

Almost none of the Commanding Officers had a financial management subspecialty. Only eleven of 123 indicated they had a Financial Management subspecialty. It should be noted that the Marine respondents included in figure 20, were prevented from identifying their secondary Military Occupational Specialty (MOS) for financial management by the question design.

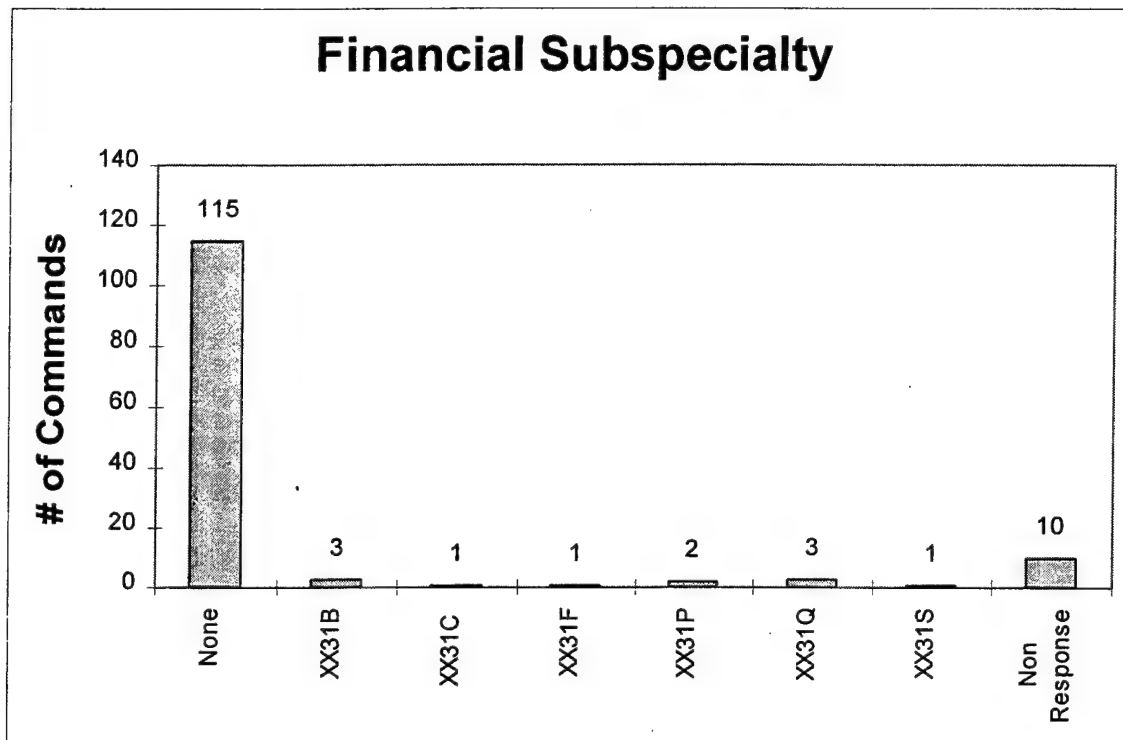


Figure 4.20. Commanding Officer Financial Subspecialty

h) Financial Guidance

The respondents were asked to provide a breakdown of the funding they received, specifically describing the source of the fences, ceilings, floors or thresholds, and any other financial guidance they received along with their funds. The responses to this question were such that the sources or the existence of the guidance accompanying the funds were not consistently identified.

The respondents were also asked to describe any additional financial controls they had to observe. The

result of the first response to the additional guidance question is provided in Figure 4.21 while the results of two or more responses are provided in Figure 4.22. The majority responded that there were none. The next highest response identified the Navy Working Capital Fund or reimbursable document guidance as providing additional controls. A compilation of the sources of additional guidance can be found in Table 4.3.

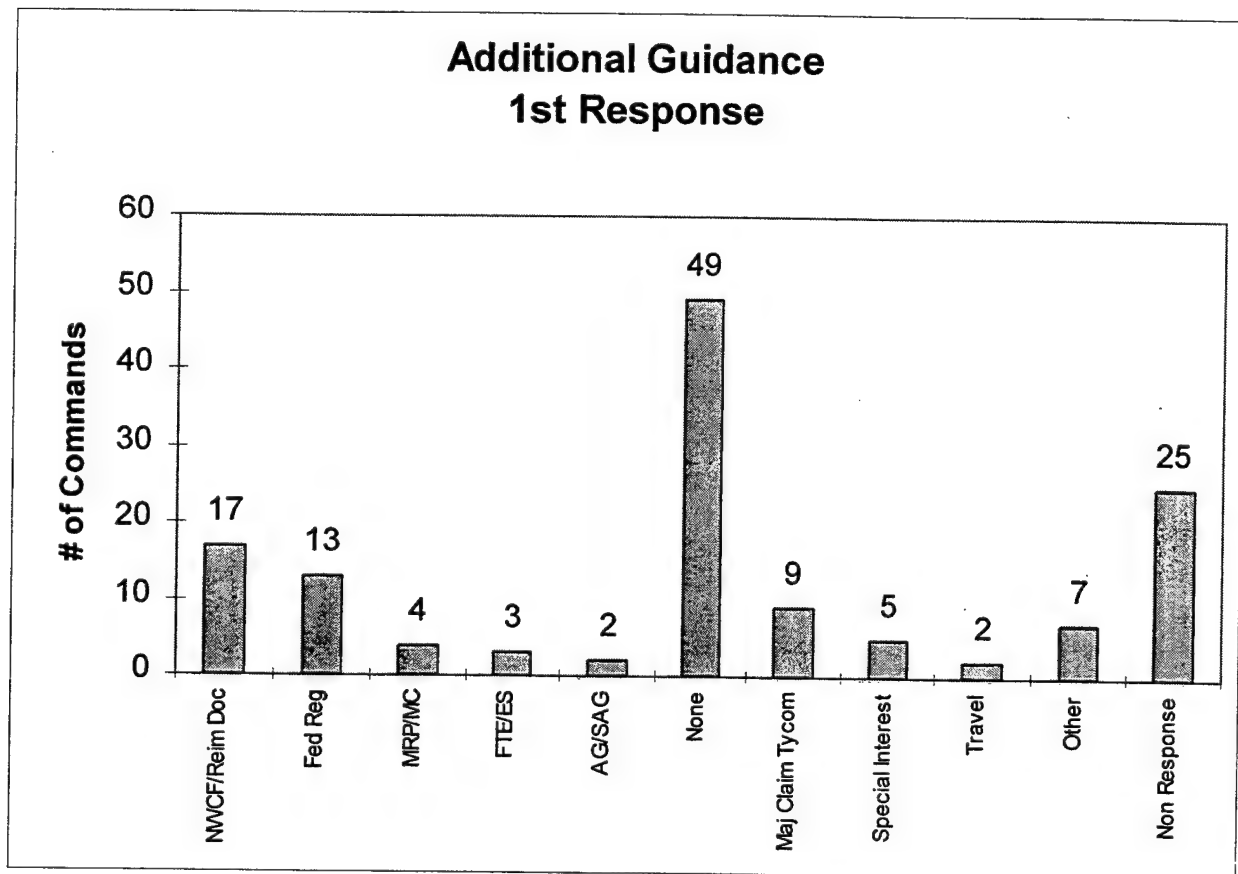


Figure 4.21. Additional Guidance Cited in First Response

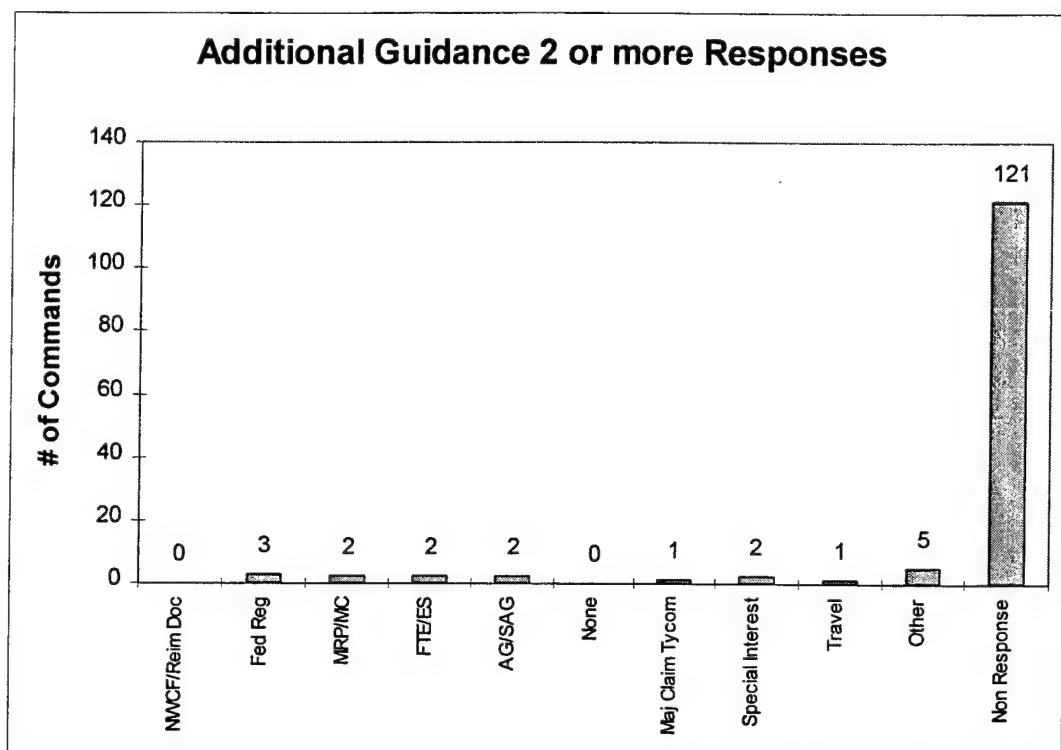


Figure 4.22. Additional Guidance Subsequent Responses

Table 4. 3. Additional Guidance

Category	Explanation
NWCF/Reim Doc	Navy Working Capital Fund, Reimbursable Documents
Fed Reg	Federal, Department of Defense and NAVCOMPT regulations and statutes
MRP/MC	Maintenance of Real Property (MRP) and Minor Construction (MC)
FTE/ES	Full Time Equivalents (FTE) and End Strength (ES)
AG/SAG	Activity Group (AG) and Sub Activity Group (SAG)
None	None, or reduced
Maj Claim Tycom	Major Claimant and Type Commander Instruction or Guidance
Special Interest	Special Interest Item Controls
Travel	Travel Restrictions
Other	Other
Non Response	None Response

3. Fiscal Year 97 Controls Compared to Previous Years

Twenty-nine comptrollers and twenty-one Commanding Officers thought that the FY97 financial controls were better than previous years, while twelve comptrollers and thirteen Commanding Officers thought the controls were worse. However, the overwhelming response to the question of how the FY97 controls compared to previous years, shown in Figures 4.23 and 4.24, was that there was no difference.

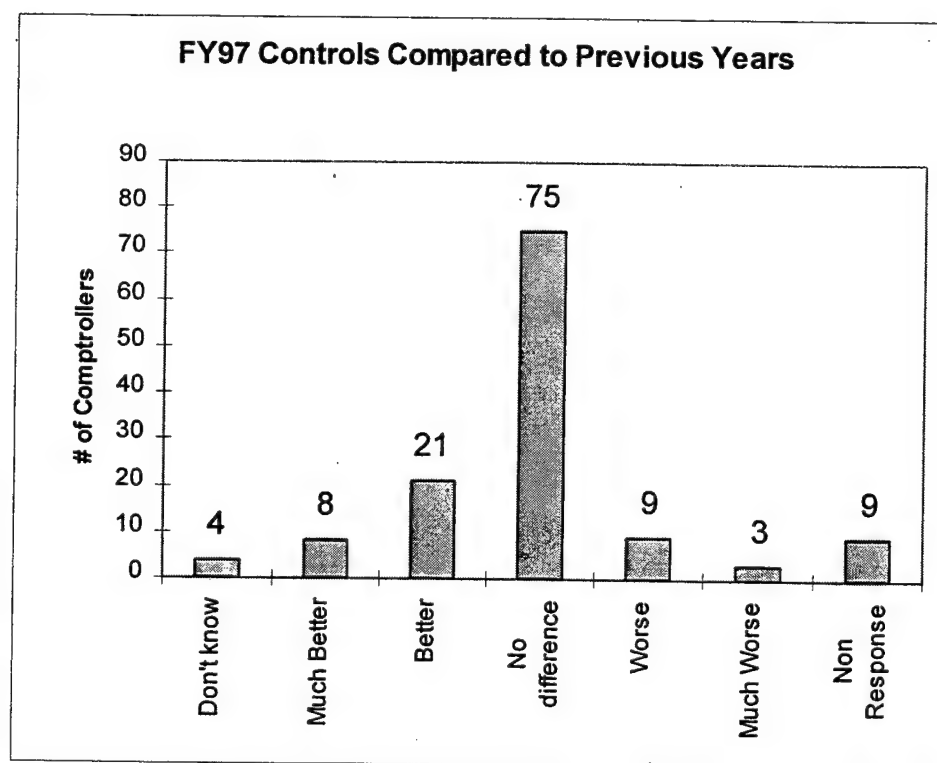


Figure 4.23. Comptroller Opinion of FY97 Financial Controls

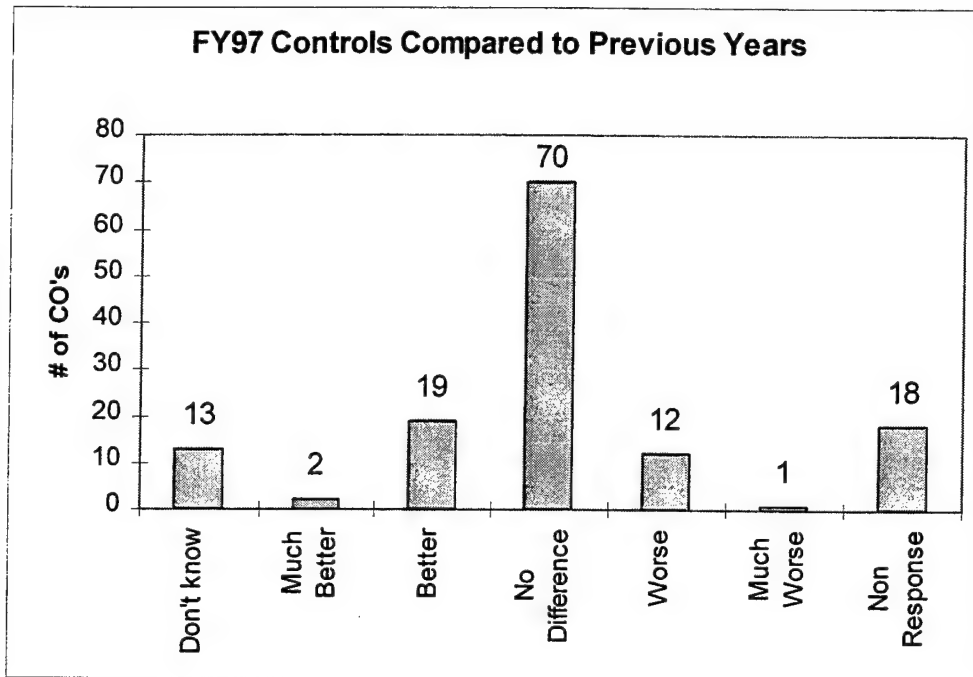


Figure 4.24. Commanding Officer Opinion of FY97 Financial Controls

B. EFFECTS OF FINANCIAL CONTROLS

1. Benefits of Financial Controls

a) Comptroller Perspective

The comptrollers had a more generous view of the control benefits than the Commanding Officers. Overall forty-nine of the comptrollers identified benefits in their first response to the question of what benefits they derive from financial controls, while fifty-six responded that there were no benefits and thirty-one refrained from responding. The most frequent positive response was that

because of the controls, the funds would be used as originally intended by the budget. The result of the first response to benefit question is in Figure 4.25. The results of the second and third or more responses are in Figure 4.26. The key to the benefits cited by the survey respondents is located in Table 4.4.

Table 4.4. Control Benefits Cited

Category	Benefit
Existence	Ensures program start-up/existence. Well being of program.
Prvnt Ovrblld	Prevent Overbuilding of Program.
Distribution	Keep funds distributed throughout programs vs. clustered around locally favored programs or emergent issues.
Guidance	Guidance from reporting senior or organizational hierarchy.
Planning	Encourage, improve planning.
Min Cntrls	Minimal Controls-Reduced controls increase command latitude to conduct operations.
Intended Use	Benefits issuer by ensuring use of funds as intended. Ensures user follows laws. Helps managers to manage funds within regulations
None	None
Account	Improve and assist in tracking and accounting. Keep honest.
Other	Other
Non Response	Non Response

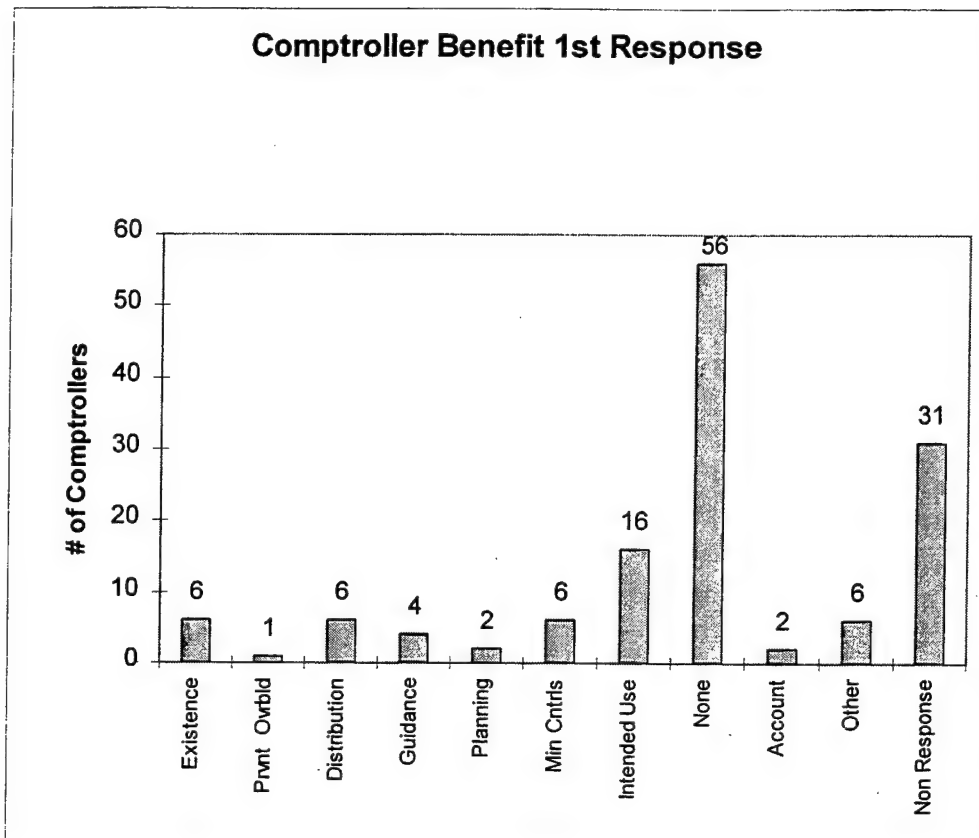


Figure 4.25. First Response Benefit Cited by Comptroller

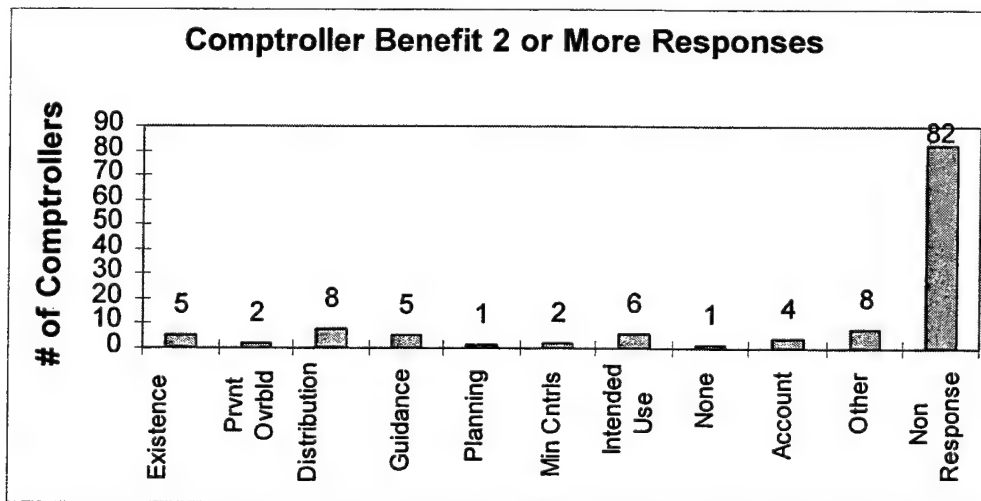


Figure 4.26. Comptroller Subsequent Control Benefits Cited

b) Commanding Officer Perspective

The Commanding Officers had a less positive response to the question. Thirty-three identified benefits to the controls while forty-three responded that there were no benefits and sixty refrained from responding. There was no decisive preference for response category. Distribution, planning and intended use obtained earned nearly identical responses. The result of the Commanding Officer's first response to the benefit question is in Figure 4.27, while any further responses are revealed in Figure 4.28.

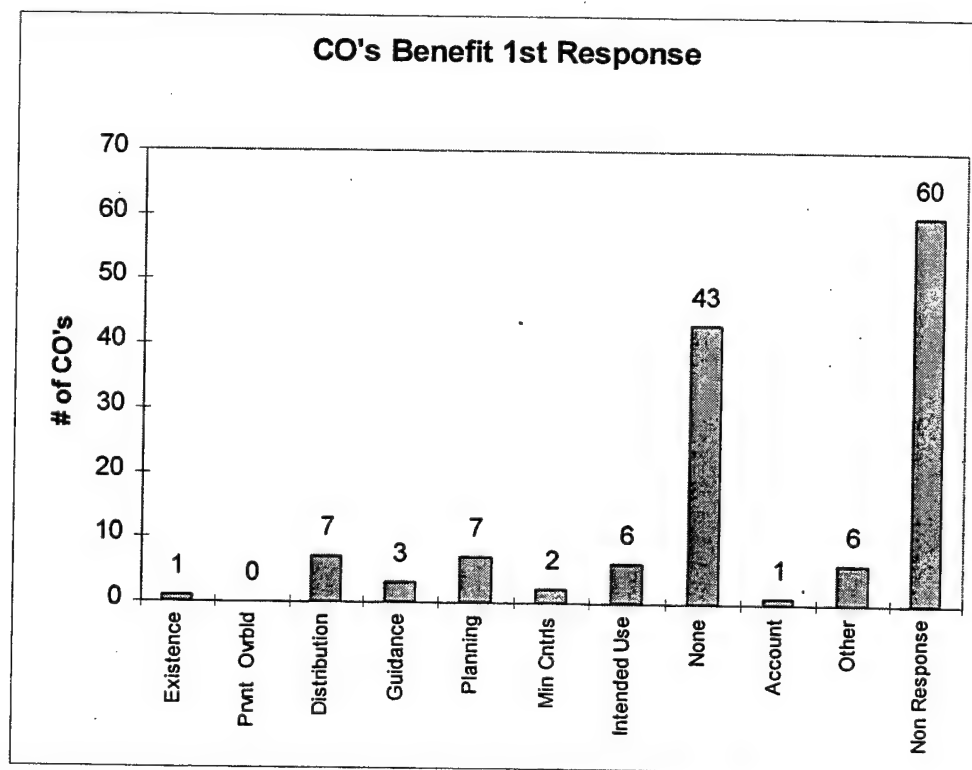
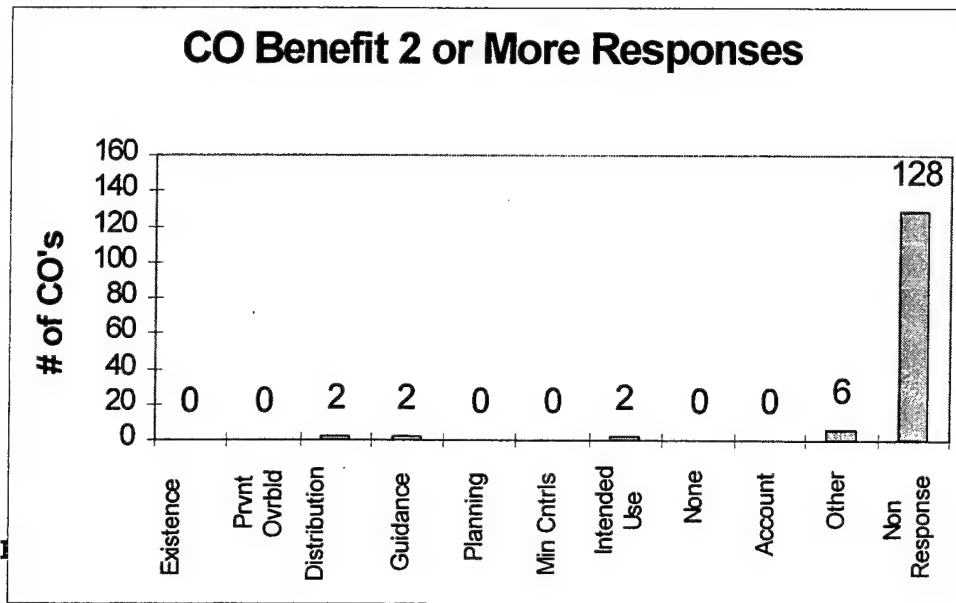


Figure 4.27. Commanding Officer First Benefit Cited



2. Problems Associated with Financial Controls

The categories that resulted from synthesizing the responses to the question of problems associated with financial controls are located in Table 4.5.

a) *Comptroller Perspective*

The comptroller's most frequent response to the problems associated with the controls was none. Following that response, the next most frequent response was the failure to address emergent issues at the command and react directly. The results of the first response to the problem question is located in Figure 4.29.

Table 4.5. Problems Cited by Survey Respondents

Category	Problem
Suboptimization	Suboptimization of some programs. Some items, often BOS/O&M Special Interest Items overfunded to detriment of other operations. Budget controls prevent command from funding essential requirements.
Failure to Address Emergent	Failure to address emergent requirements. Flexibility needed between programs to keep up with technology, meet mission and emergent requirements.
Timing of Funds	Time characteristics of money. Annual expiration of funds causes inappropriate spending. Quarterly distribution of funds not practical. Disincentive to save. Use or Lose.
Unglam Programs Suffer	Unglamorous Programs Suffer-No advocate for OBOS programs like facilities; facilities deteriorating.
Broken System	Systems problems, prevents planning. Need better accounting system to track costs.
None	None
NWCF	Navy Working Capital Fund issues. 60/40 rule. 51% management rule prevents cost savings, customers withholding funds.
Insuff Funding	Insufficient or reduced from previous budget creates difficulties in execution of programs.
Non Value Add Work	Creates extra work which adds no value to command mission. Increases paperwork, requiring staff time. Excessive time spent pursuing reprogram authorization. Increases time to perform mission by finding ways to work within the controls.
No trust	Controls demonstrate lack of trust in decision maker. Micro-management.

Recoup Funds	Reprogram authorization to augment deficient local program results in funds recouped and retained from identified program but not added to deficient local program, or "savings" recouped or deleted from future distributions.
System/Fac Suffer	Inability to purchase large items or systems with available funds; O&MN and OPN fund thresholds cause problems for command. MILCON, Minor Construction threshold difficulties, MC and MRP spending ratio inappropriate.
Estimate/Execution	PPBS budget estimation created 2 years prior doesn't reflect emergent issues or current staff execution level.
AG/SAG FTE/ES	Activity Group (AG)/Sub Activity Group (SAG) or Full Time Equivalent (FTE)/End Strength (ES) controls cause unnecessary difficulty
Other	Other
Non Response	Non Response

Review of the additional responses included in Figures 4.30 and 4.31 also highlight the response that working around the fund controls takes time and does not add any value to the command. Additionally, the comptrollers cite that programs receive unequal funding, resulting in some programs being funded past a satisfactory level, or suboptimized, while another program is funded at a deficient level.

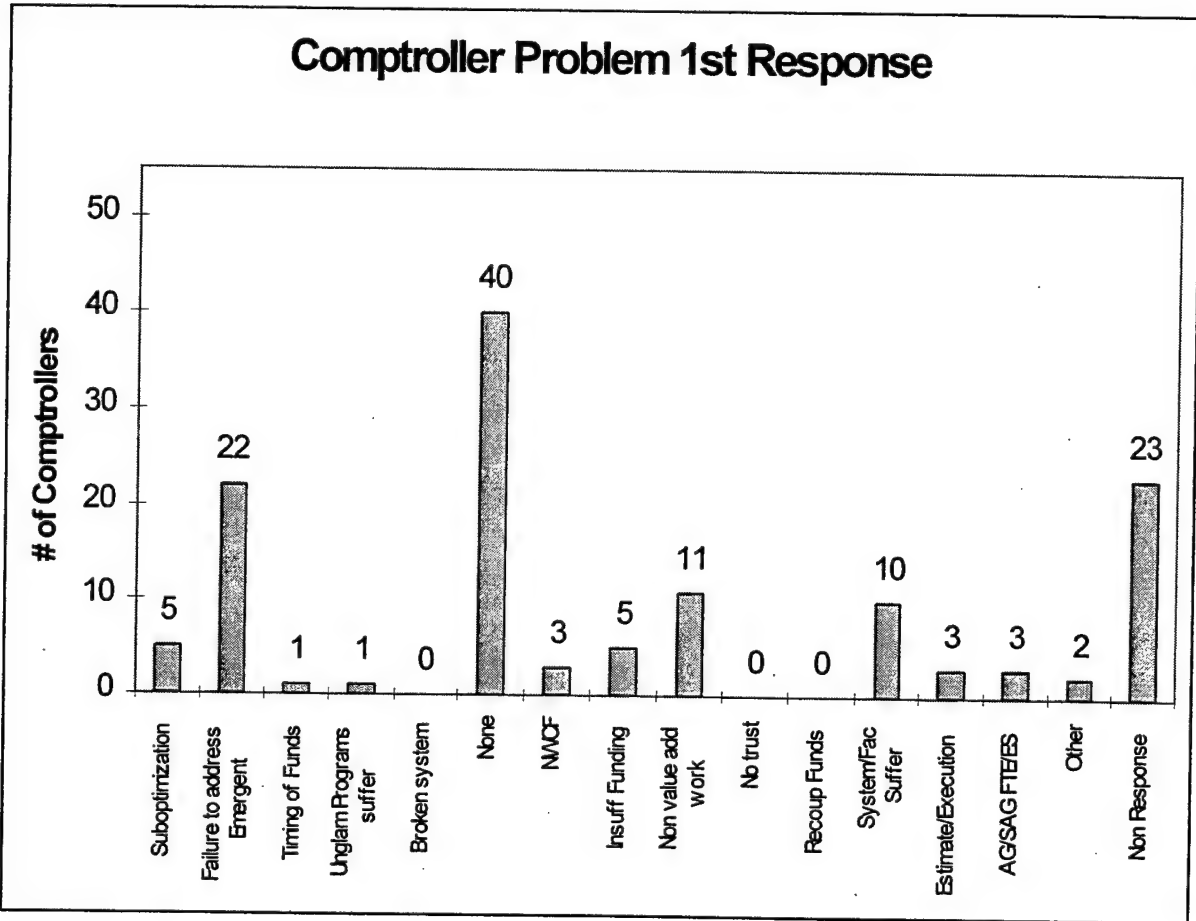


Figure 4.29. Comptroller Problem First Response

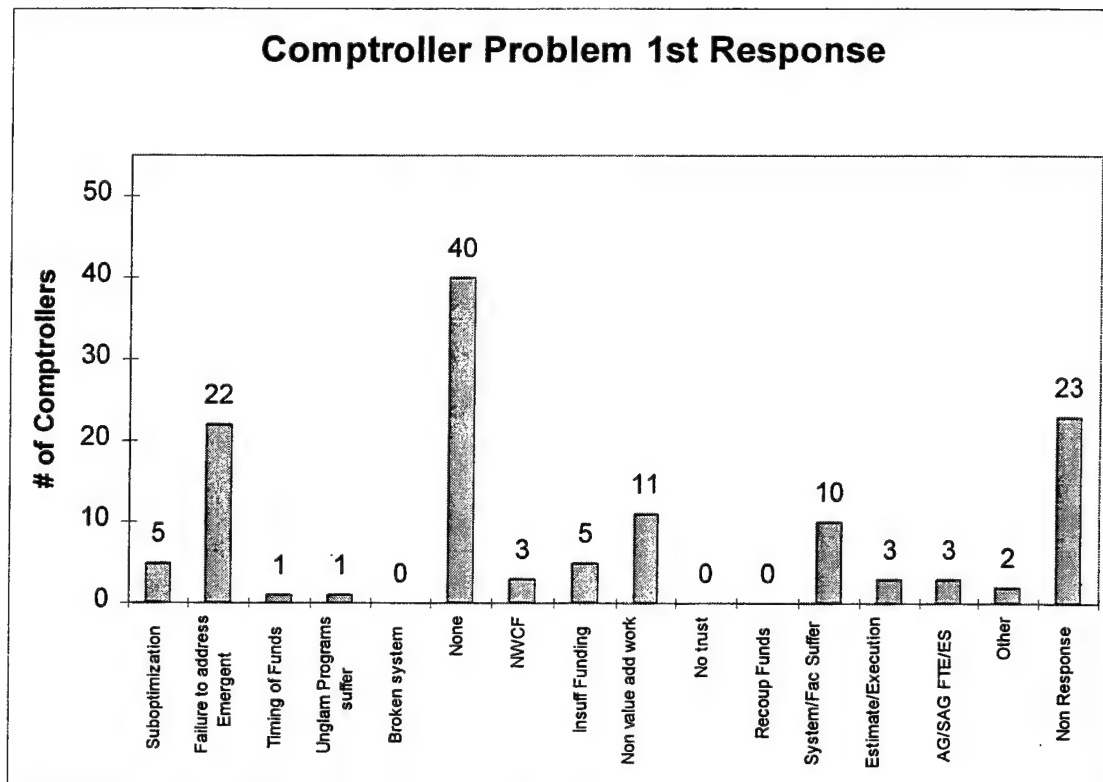


Figure 4.30. Comptroller Problem Second Response

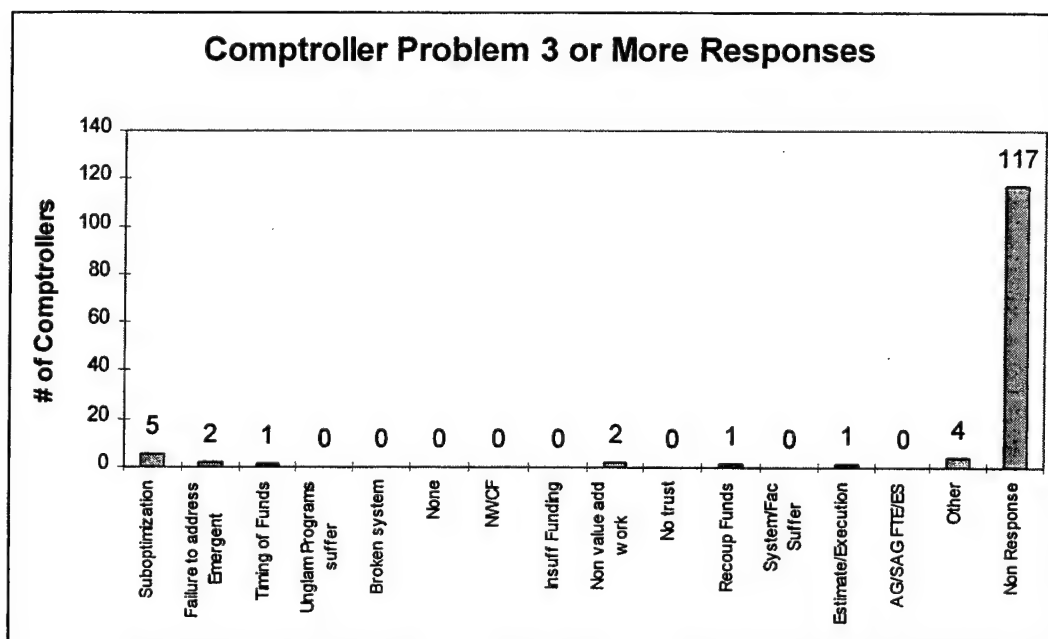


Figure 4.31. Comptroller Problem Three or More Responses

b) Commanding Officer Perspective

In contrast to the comptrollers, the Commanding Officers' most frequent response was the failure to address emergent issues. Review of the subsequent responses reveals that the second most bothersome problem Commanding Officers have with the financial controls is the suboptimization they see at their commands. Figure 4.32 shows the distribution of the Commanding Officers' first response to the problem question. Figures 4.33 and 4.34 show the subsequent responses.

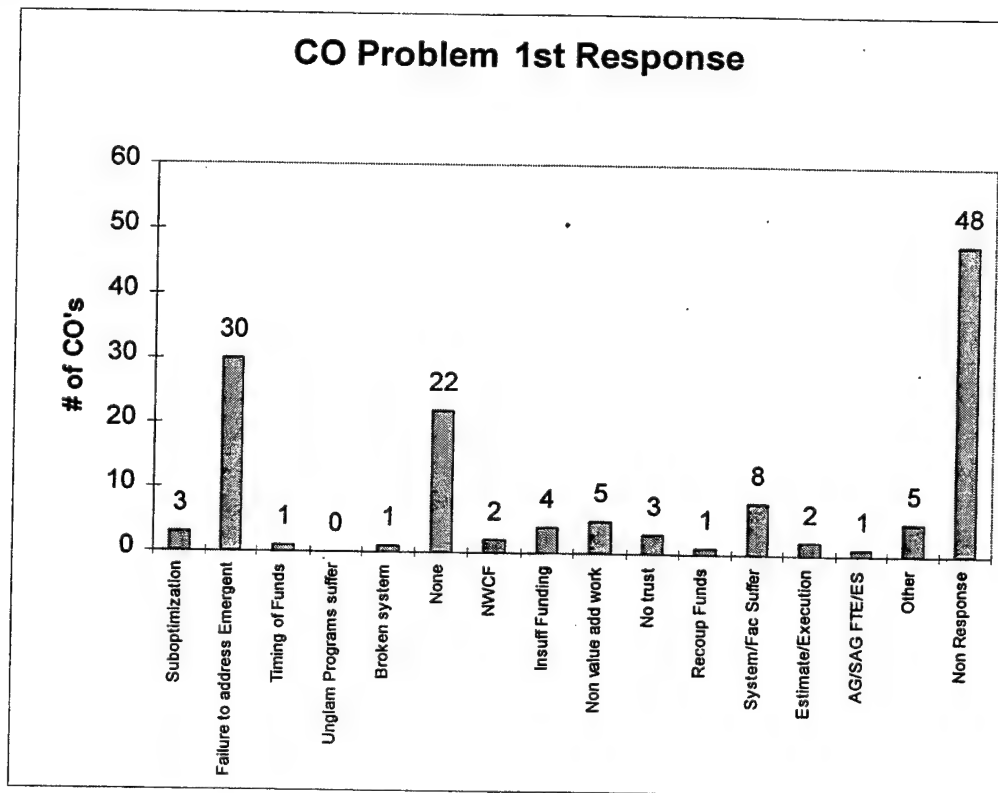


Figure 4.32.CO Problem First Response

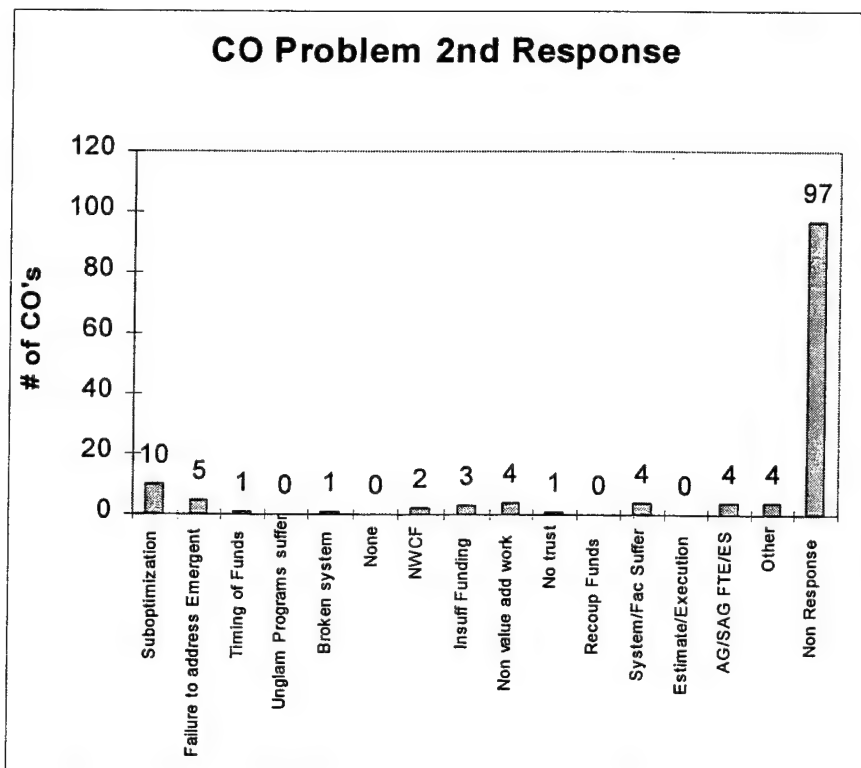


Figure 4.33.CO Problem Second Response

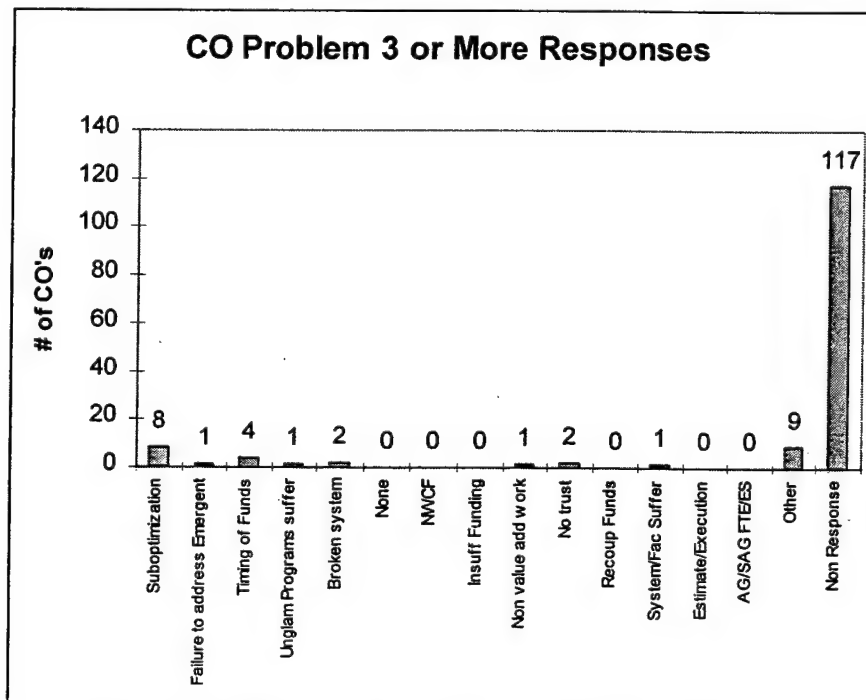


Figure 4.34. CO Problem Three or More Responses

3. Problems Experienced by Functional Area

To compare the effects of financial controls on activity operations by function, a measurement had to be created to quantify the problems experienced by the functional area. This measurement would effectively identify the occurrence of problems in a functional area, a problem rate.

To determine a problem rate, the problem responses were first separated by mission function. The number of respondents indicating a problem in their first response were then divided by the total number of respondents in that function. The response rates are listed in order of problem rate in Figure 4.35. The first response was then charted on a diagram which identifies all of the problem categories reported by the functional category. The supporting comments for each functional area are reported in Appendix D.

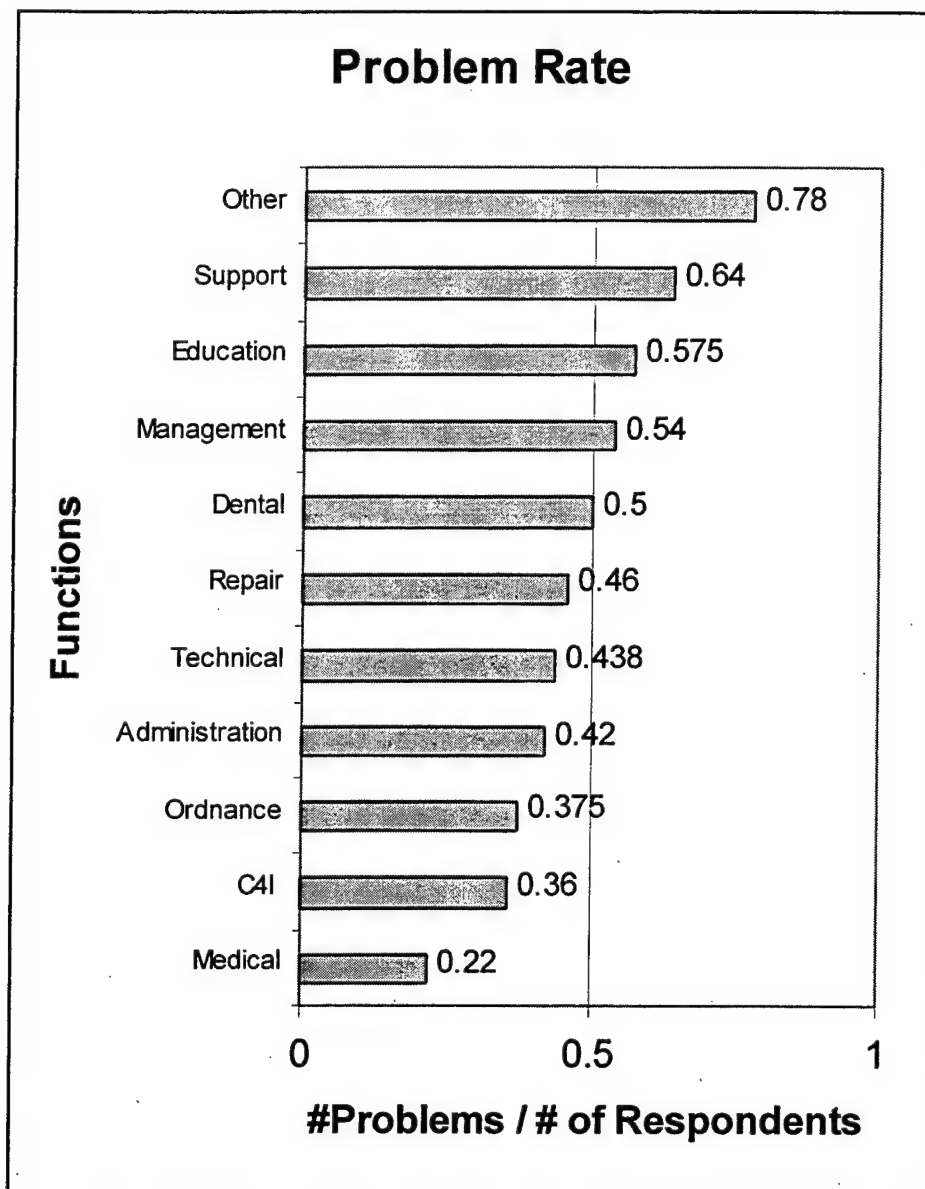


Figure 4.35. Problem Report Rate

Respondents in the Other category had the highest problem report rate of 78%. The problem cited by the most respondents was the "Failure to Address Emergent Issues" category. Further investigation indicates that Recruiting and Logistics do not differ in problem reporting rates. The problem identification chart for the Other category is in Figure 4.36.

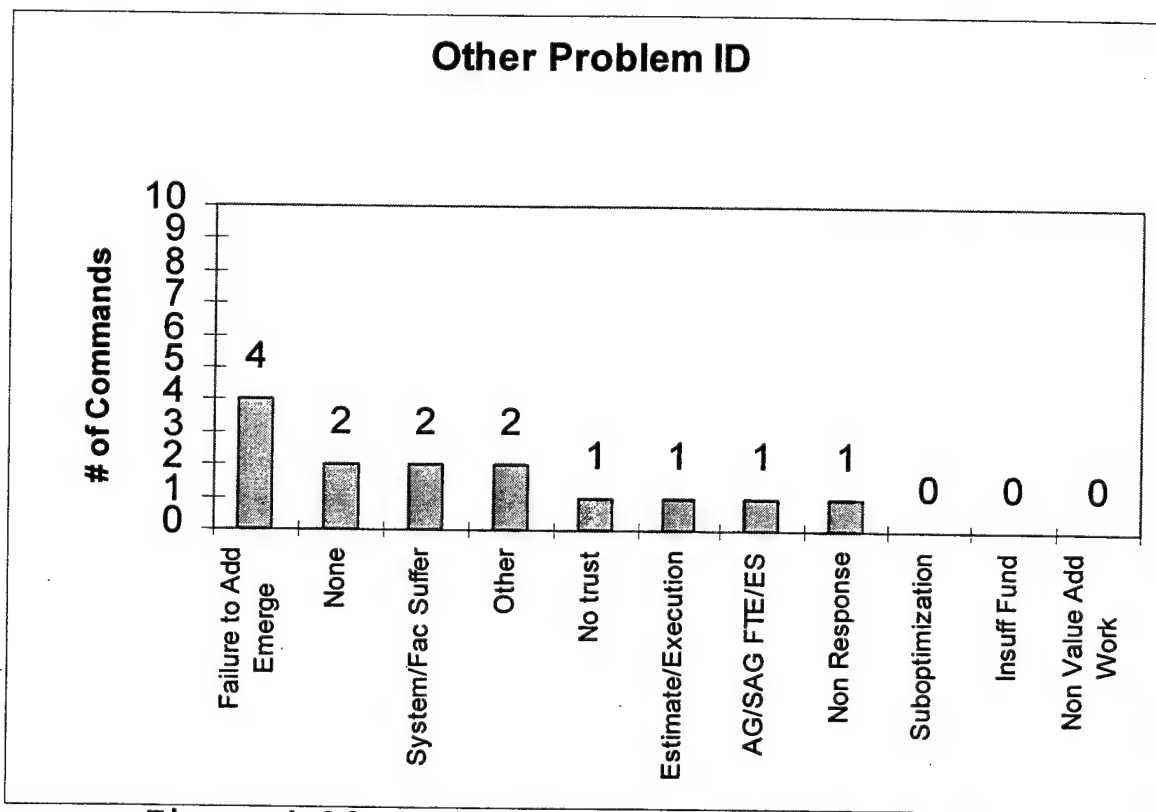


Figure 4.36. "Other" Problem Identification

The next highest problem report rate was in the Support category at 64%. The Support category had the

largest number of different problems. The number one complaint was the failure to address emergent issues, as shown in Figure 4.37. Two Support comptrollers wrote,

Limited flexibility of command to respond to changing requirements at the activity level. Resulted in directed funding of programs in excess of activity requirements. Precluded funding of programs having activity requirements in excess of controls.

If a CO chooses not to fund a program because it is the right thing to do, that money will just vanish next year. It is not possible to "save" money - in order to apply it to priorities.

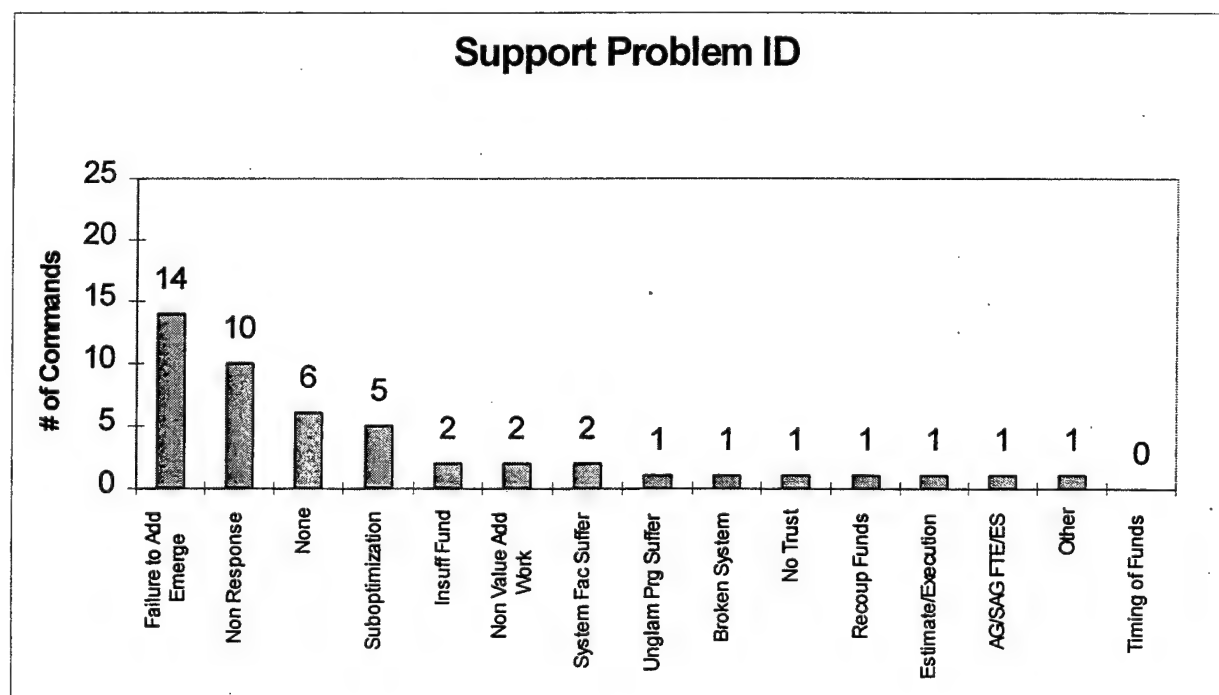


Figure 4.37. Support Problem Identification

The next highest problem rate is 57.5% for the Education function. Here again, the number one complaint is the failure to address emergent issues. It should be noted that the non response rate was equivalent to the "Failure to Address Emergent Issue" response. The Education problem identification is shown in Figure 4.38.

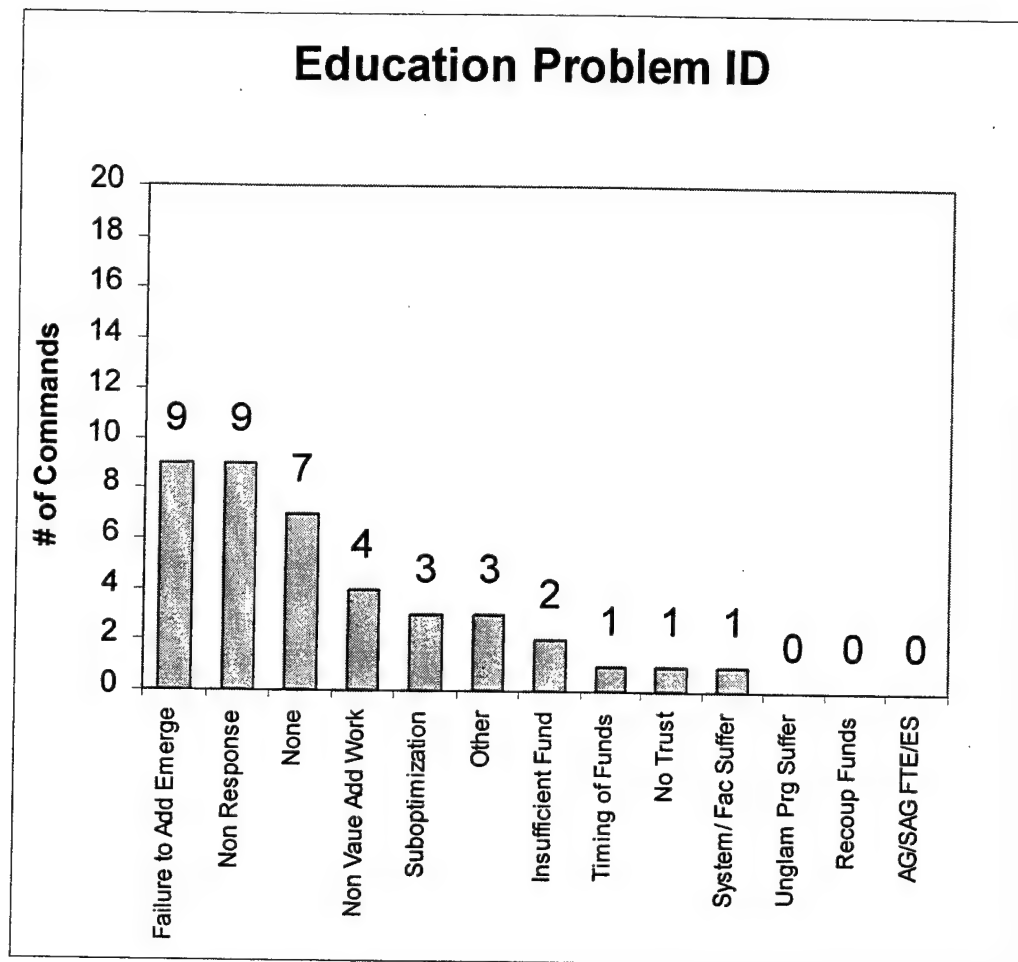


Figure 4.38. Education Problem Identification

The next problem rate at 54%, was for the Management function. The most frequent response was no problems, as shown in Figure 4.39. The next two equivalent responses are a non response and the "Systems and Facilities Suffer" category. A Management respondent wrote,

O&MN threshold of \$100k for equipment not practical with LAN and ADP requirements. Minor construction limit too high, moved from 300k to 500k but field activities do not receive additional funding. Projects in the \$500k range are too expensive to absorb.

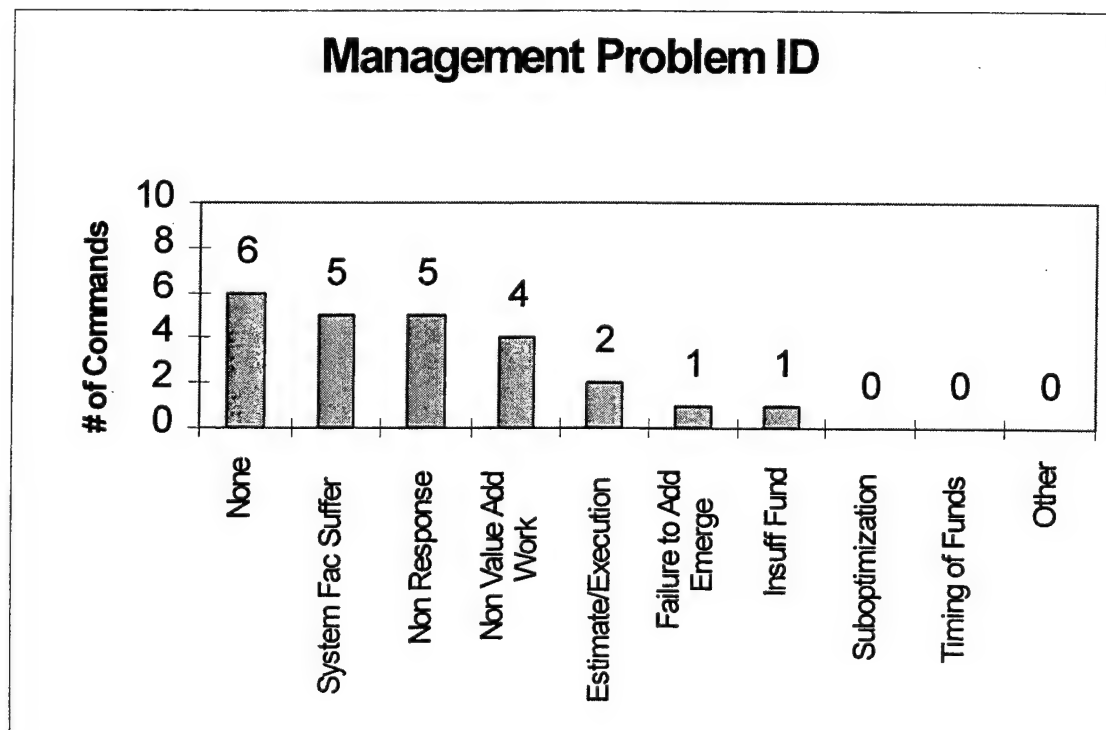


Figure 4.39. Management Problem Identification

The Dental function was next with a problem rate of 50%. Their most frequent response was "no problems." Their most frequent concern was the failure to address emergent issues. A breakdown of the problems reported in the first response is located in Figure 4.40.

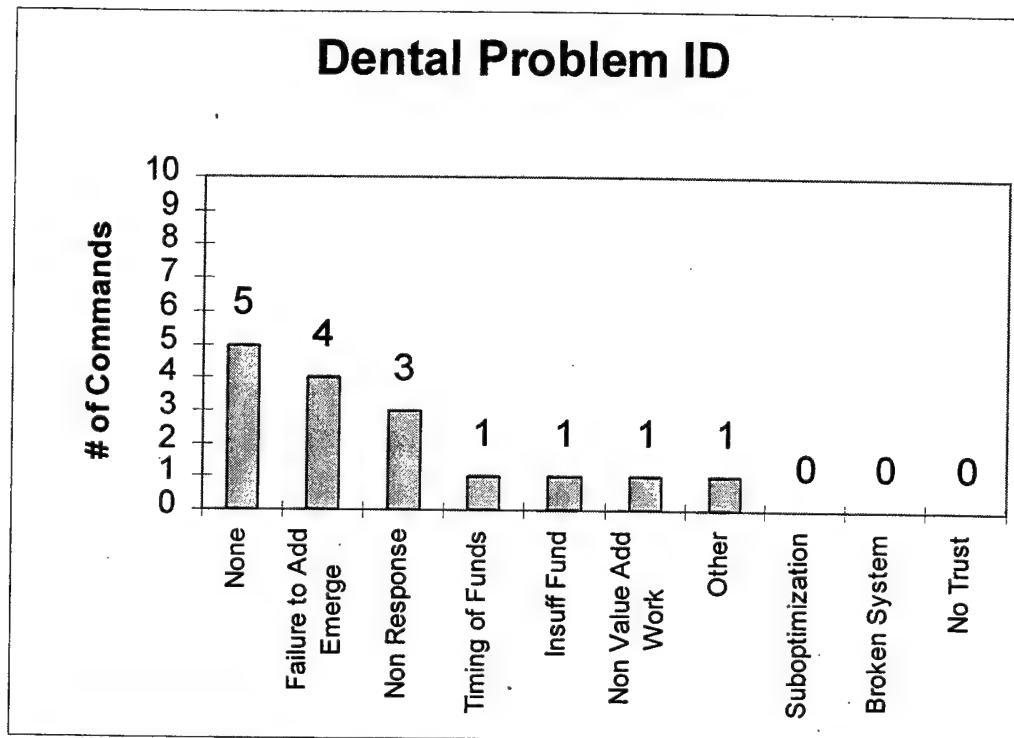


Figure 4.40. Dental Problem Identification

The Repair, Technical, Administration, Ordnance, C4I and Medical functions all had problem rates under 50% and accordingly the most frequent response was "None" or a non response. Failure to address emergent issues was the

next most frequent response in all cases except for the Administration function, which identified facilities and systems suffering from neglect and lack of proper maintenance as their next most frequent response. The problem identification charts for Repair, Technical, Administration, Ordnance, C4I and Medical functions are located in Figures 4.41 through 4.46, respectively. Overall, Medical had the lowest problem rate of all the categories.

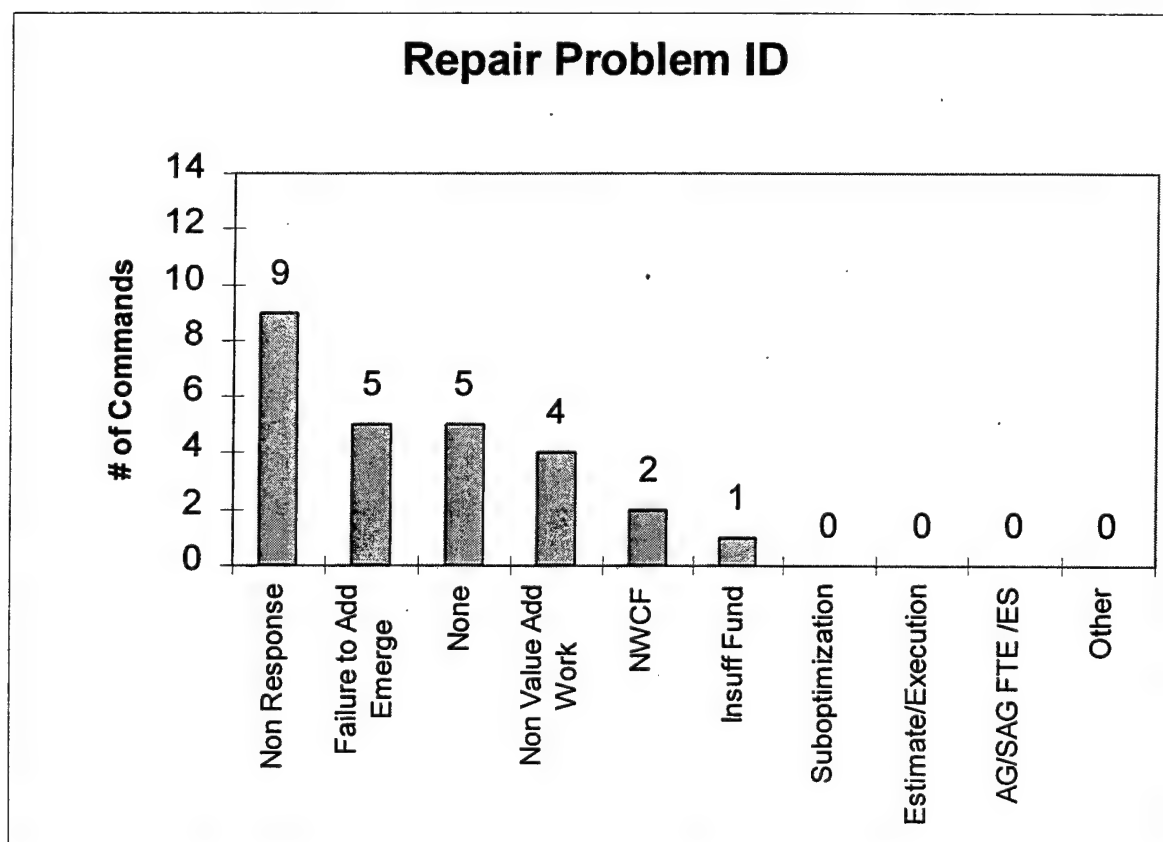


Figure 4.41. Repair Problem Identification

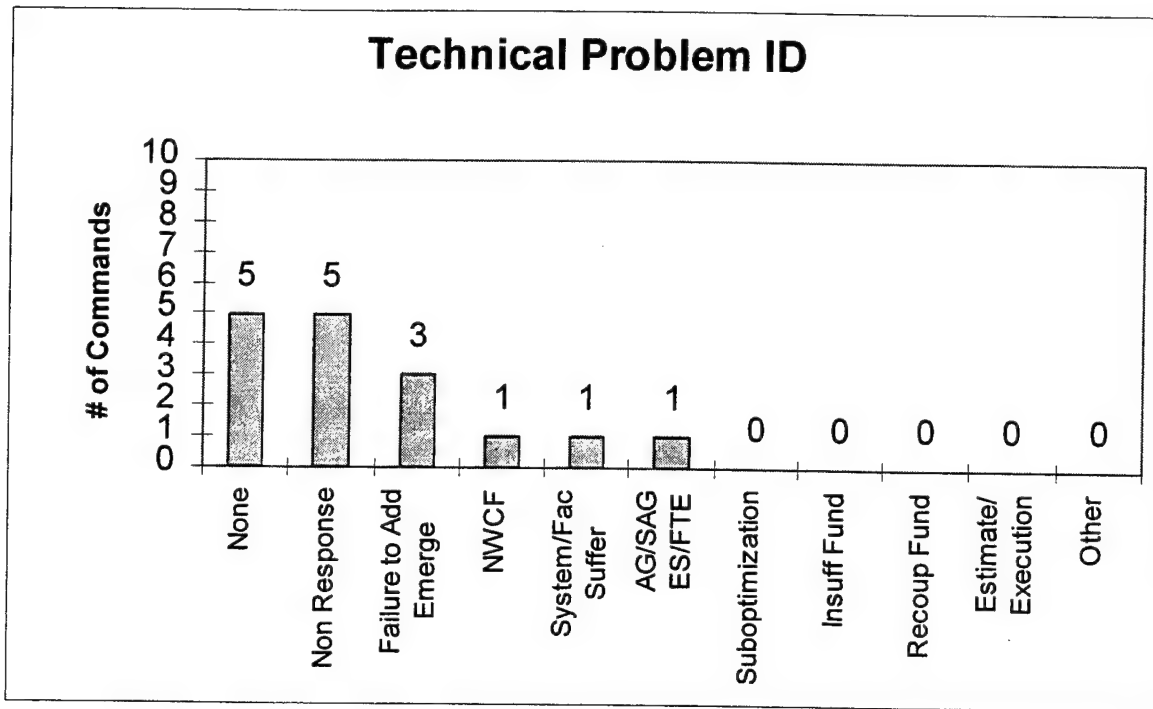


Figure 4.42. Technical Problem Identification

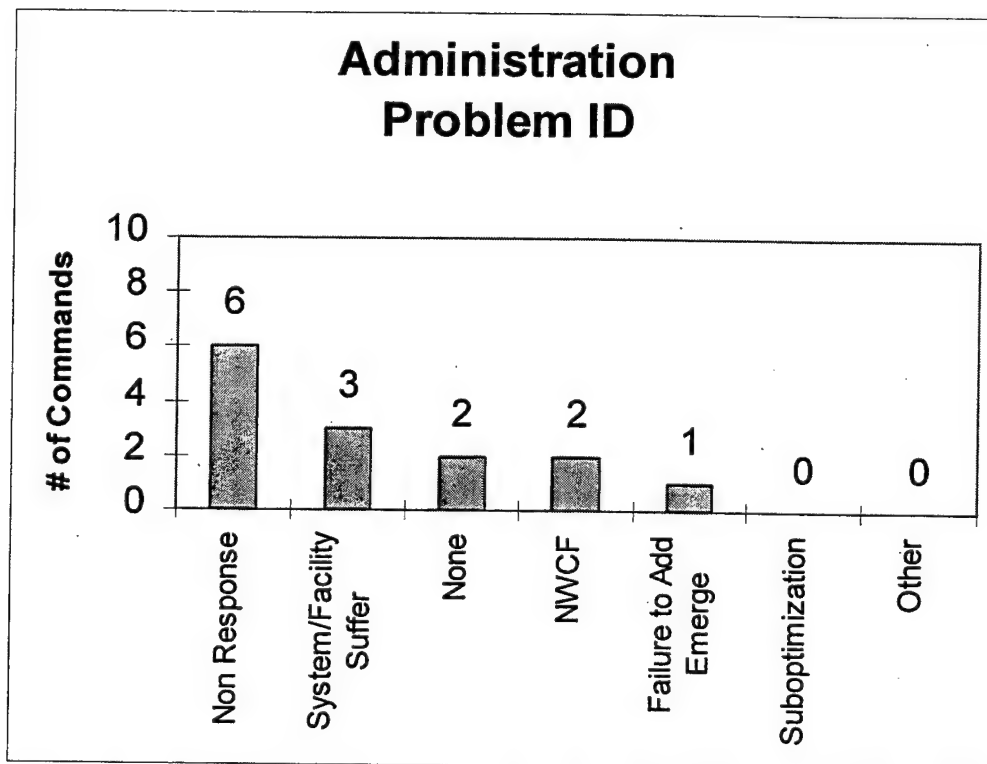


Figure 4.43. Administration Problem Identification

Ordnance Problem ID

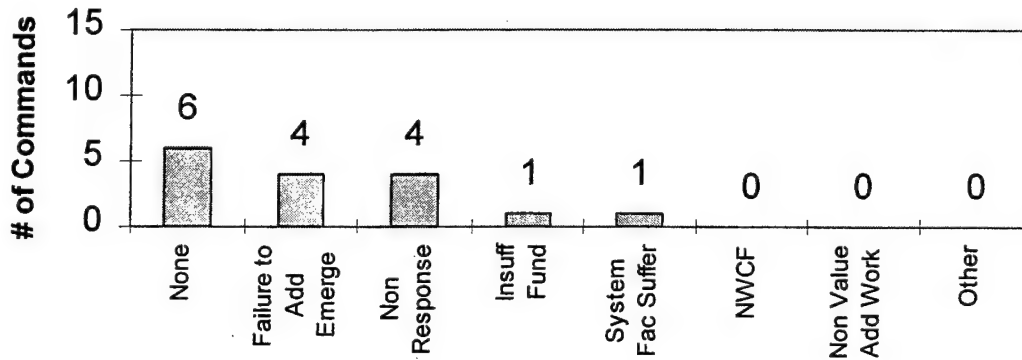


Figure 4.44. Ordnance Problem Identification

C4I

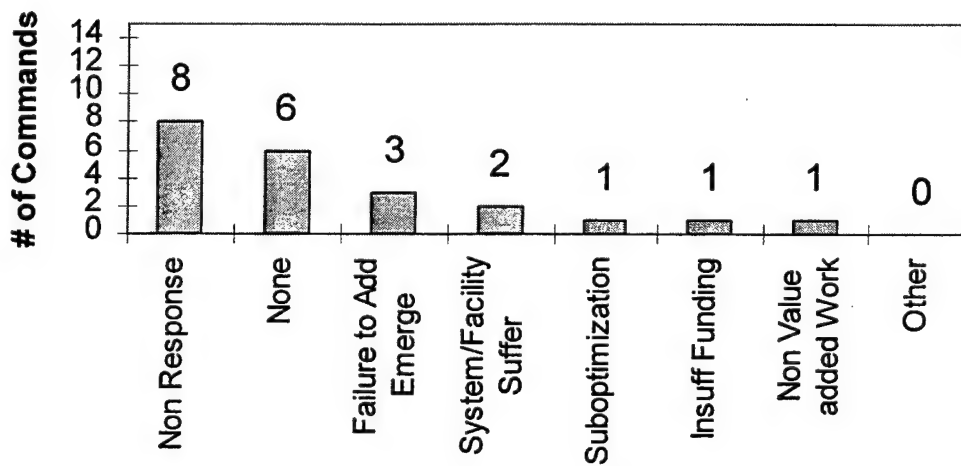


Figure 4.45. C4I Problem Identification

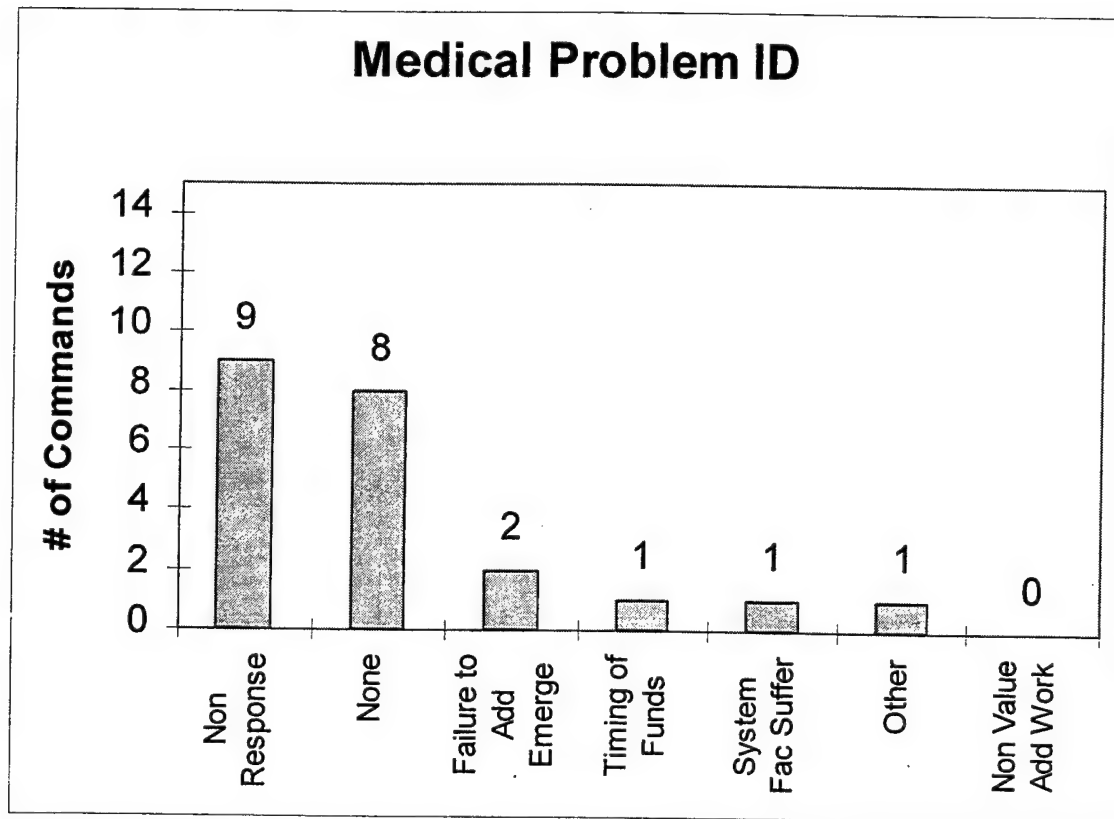


Figure 4.46. Medical Problem Identification

4. Mission

The Commanding Officers were additionally asked to indicate their agreement or disagreement that the funding or the associated controls allowed them to perform their mission without difficulty. Seventy-one agreed that the funding was sufficient and seventy-one agreed that the controls allowed them to perform their mission without difficulty. However, the number that agreed "without

qualification" decreased by five and the number that "agreed somewhat" increased by five. This indicates a decrease in the level of agreement toward the financial controls. The number of Commanding Officers that disagreed that the amount of funds and controls did cause difficulty in meeting the mission were forty-nine and forty-eight respectively. Interestingly, the number who "disagreed somewhat" decreased by eight, with four improving to only "disagree somewhat," three decreased to strongly disagree. One Commanding Officer withheld comment. The levels of agreement are shown in Figures 4.47 and 4.48.

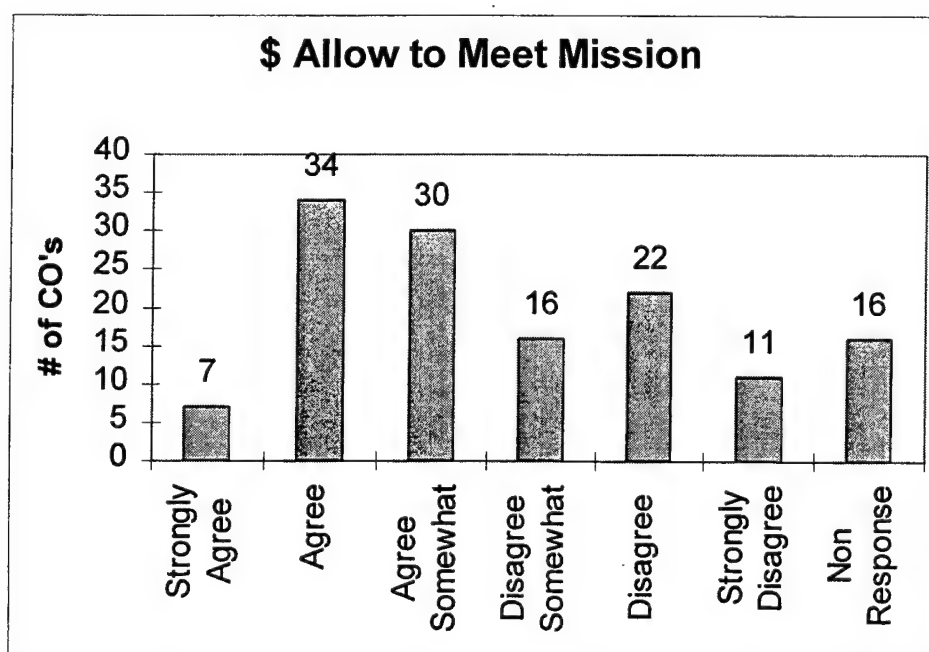


Figure 4.47. Funding Level Sufficient to meet Mission

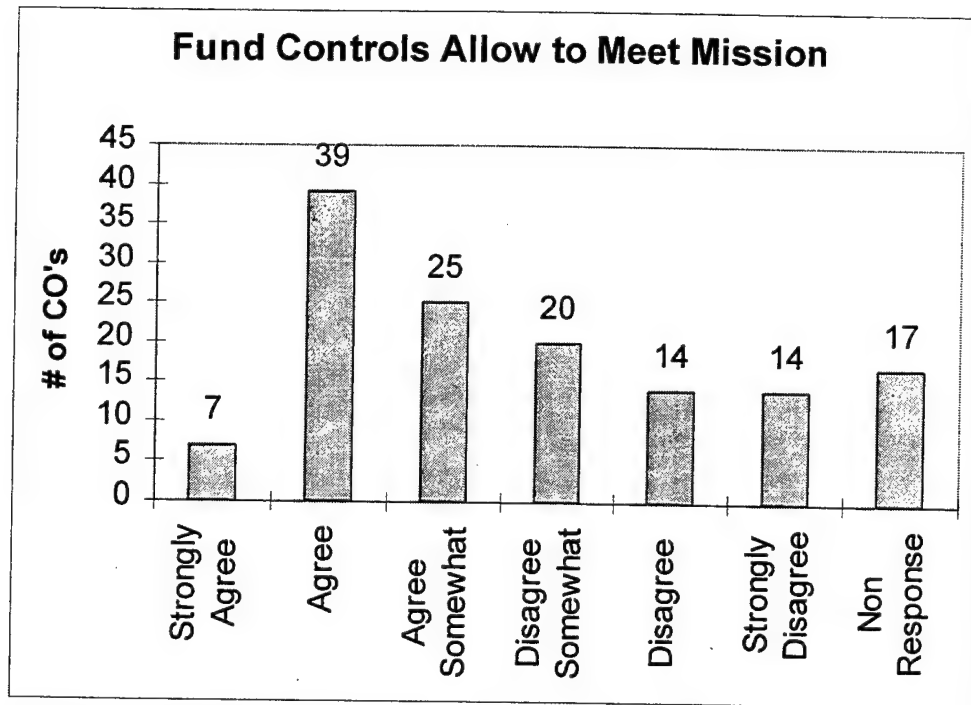


Figure 4.48. Funding Controls Allow Mission

5. Quality of Life

The Commanding Officers were asked if they agreed that they were able to support the quality of life for their personnel with the funds and controls. The level of agreement for quality of life support was less than for mission performance, even considering that the non response category increased by five. The level of agreement that funds were sufficient for supporting the quality of life of assigned personnel was sixty and for fund controls was sixty-two. The disagreement level increased to fifty-four for funding and fifty-two for financial controls. The

graphs showing these comparisons are located in Figures 4.49 and 4.50.

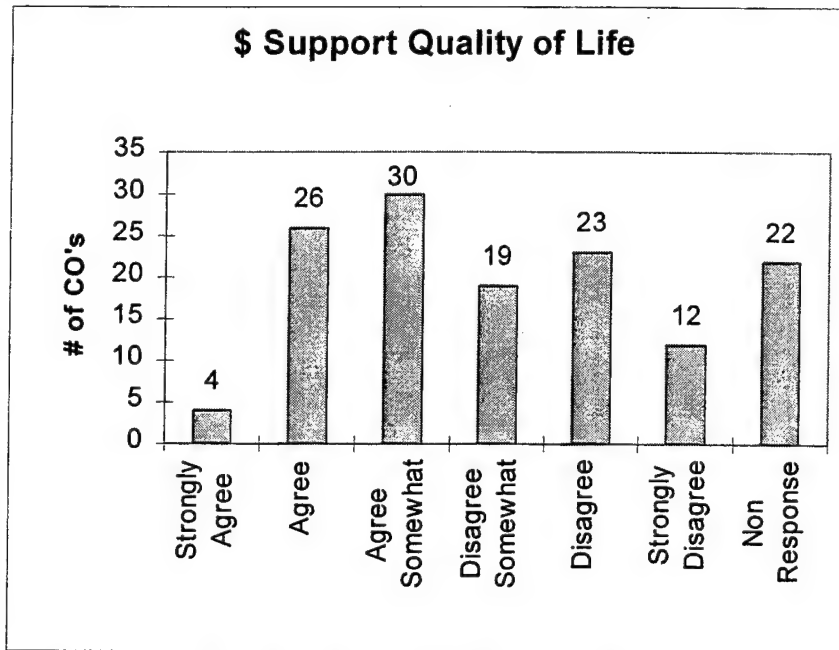


Figure 4.49. Funding Level vs. Quality of Life

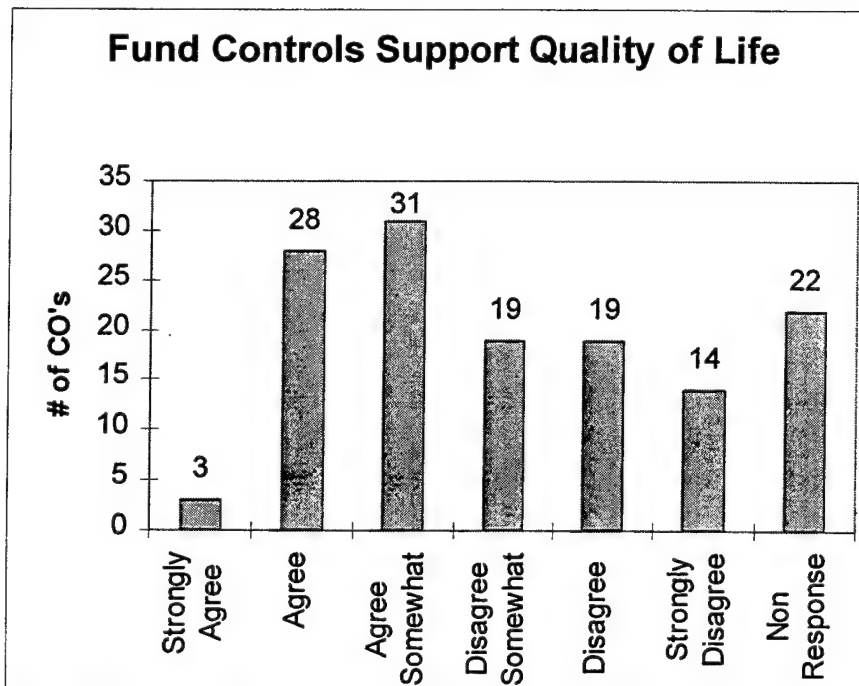


Figure 4.50. Funding Control vs. Quality of Life

6. Facilities

The satisfaction with funding for facilities was lowest of any category. The number of Commanding Officers who agreed that they were able to maintain the facilities in optimal condition with the allocated funds and the financial controls were forty and fifty-two respectively. Conversely, the number of Commanding Officers who disagreed with this same statement related to funds was sixty-one, while the number disagreeing with the financial controls increased to sixty-three. This would indicate that the Commanding Officers feel that they are underfunded to maintain their facilities. As one Commanding Officer put it,

During the year, if I am unable to use funds from MRP, for example, for base support, operational support is cut to stay within the budget. It becomes a choice between mission requirements and keeping buildings in decent shape.

The charts indicating the responses to the facilities support questions can be found in Figures 4.51 and 4.52.

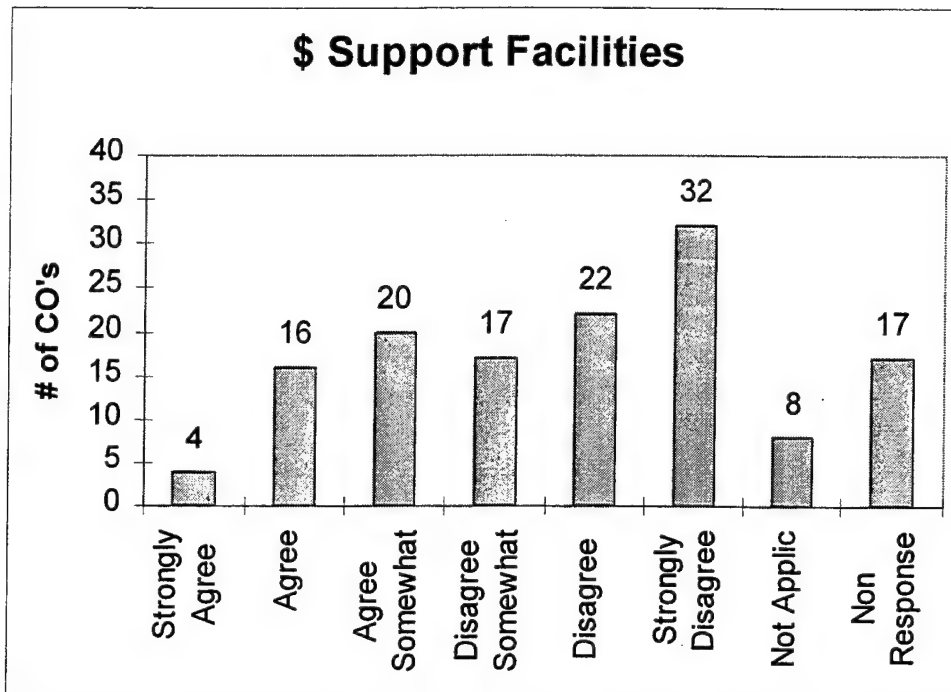


Figure 4.51. Funding Level vs. Facilities

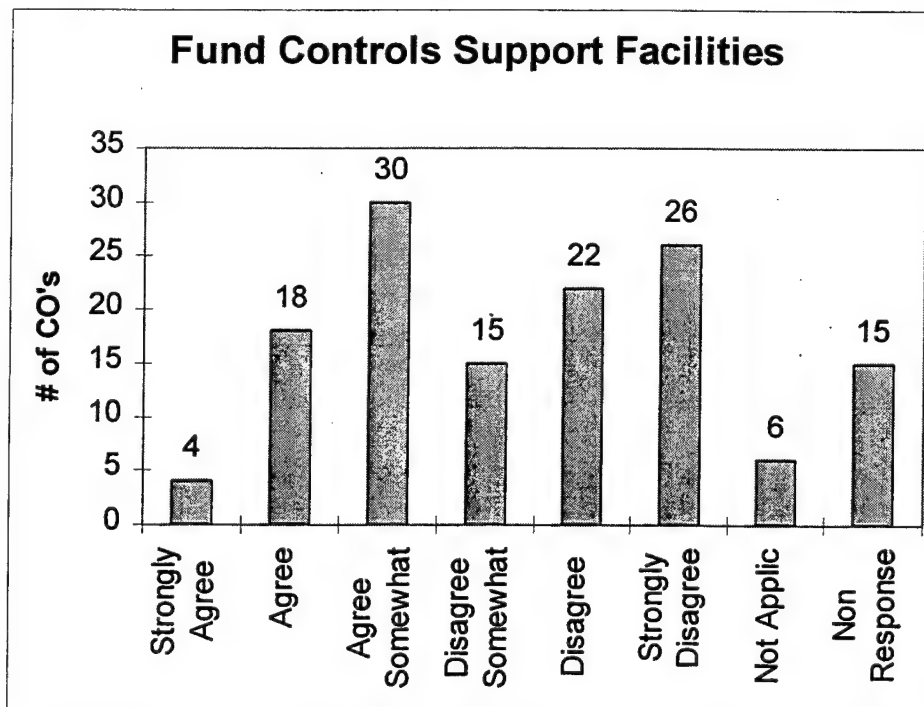


Figure 4.52. Funding Controls vs. Facilities

C. RECOMMENDATIONS FOR CHANGES TO FINANCIAL CONTROLS

Both the Commanding Officers and the Comptrollers were asked if they could make one change of the four financial controls, fences, ceilings, floors and thresholds, which would they choose?

1. Comptroller Perspective

The comptrollers' most frequent response was no change. The next most frequent response was to change the fence controls. The other category came in second. This group was composed of a combination of "all of the above," to include changing all of the financial controls or a recommendation to end financial controls by Full Time Equivalent (FTE) and End Strength (ES) or Activity Groups (AG) and Sub Activity Groups (SAG). The change recommendation can be seen in Figure 4.53.

Asked what specific change they would make to each control, the comptrollers overwhelmingly recommended to remove the controls. The responses to the specific financial control change they would recommend can be found in Figures 4.54 through 4.57.

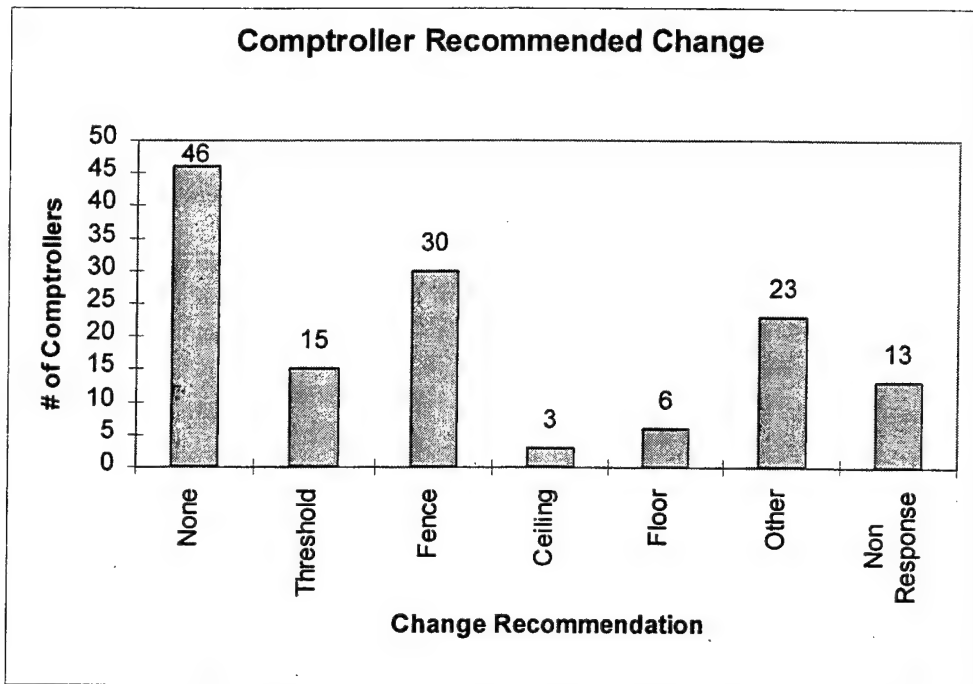


Figure 4.53. Comptroller Recommended Control Change

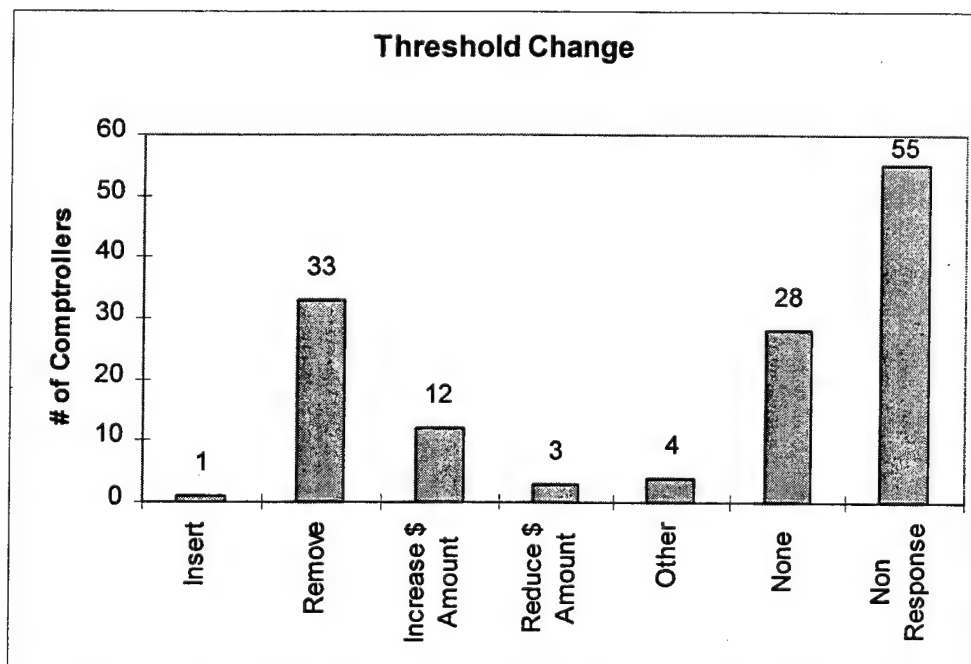


Figure 4.54. Comptroller Threshold Change Recommendation

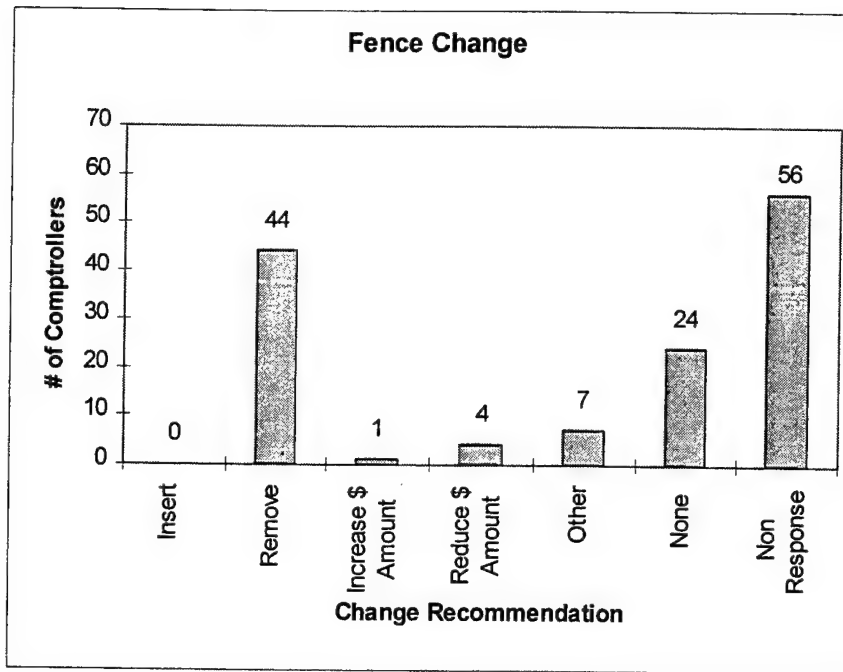


Figure 4.55. Comptroller Fence Change Recommendation

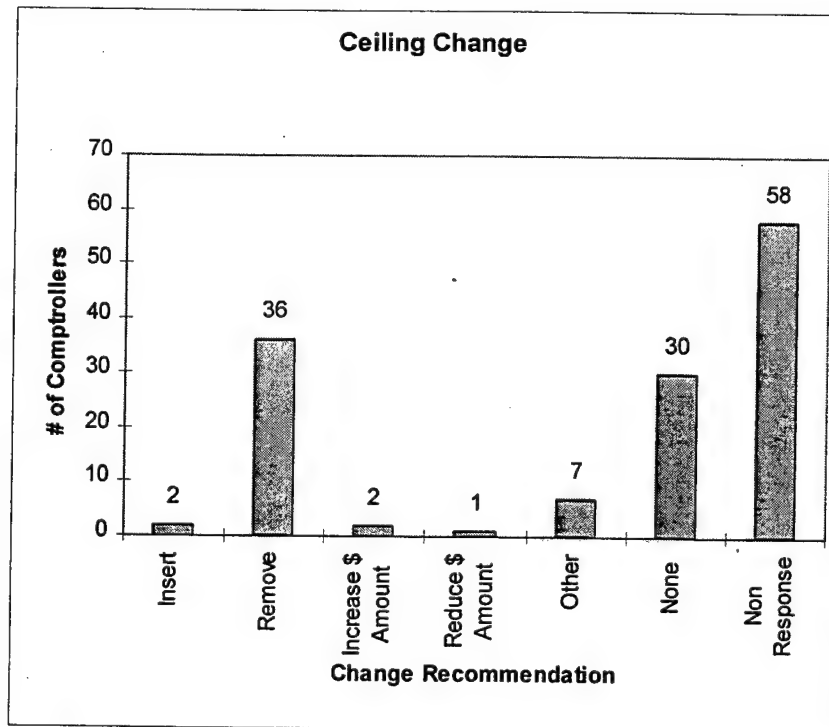


Figure 4.56. Comptroller Ceiling Change Recommendation

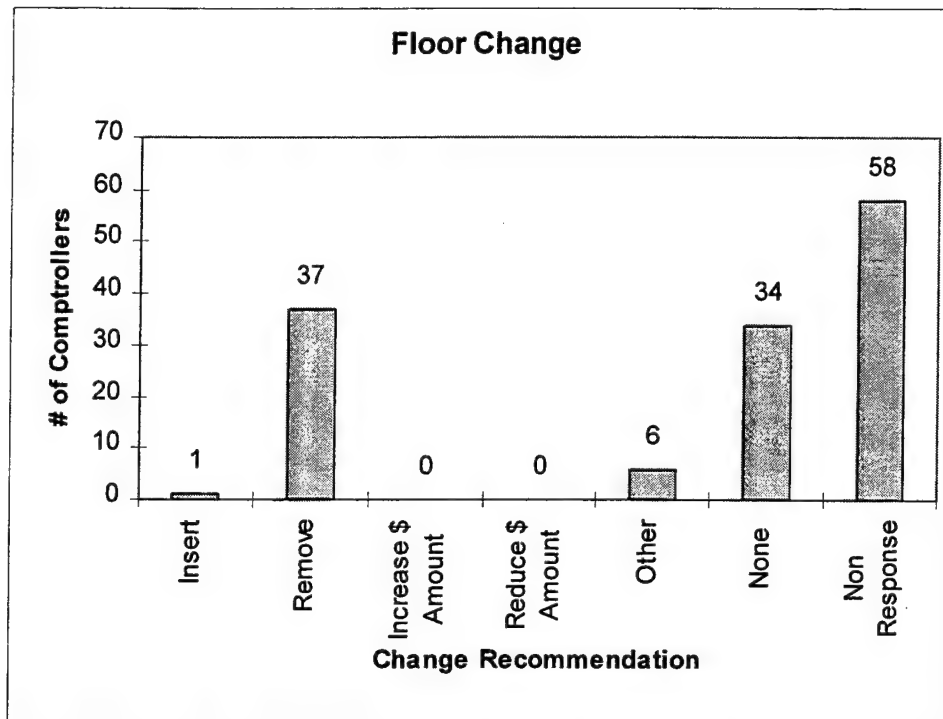


Figure 4.57. Comptroller Ceiling Change Recommendation

2. Commanding Officer Perspective

The Commanding Officers' most frequent response to the question of what change they would recommend was also no change. The next most frequent response was to change the threshold policy. The next recommended change was the fence category, which barely surpassed the Other recommendation. The Commanding Officers' "Other" category had the same recommendations as the comptrollers, either "all of the above", or ending the use of FTE/ES or AG/SAG controls. The responses to the change recommendation question can be

found in Figure 4.58 and the individual changes to each of the four controls can be found in Figures 4.59 through 4.62.

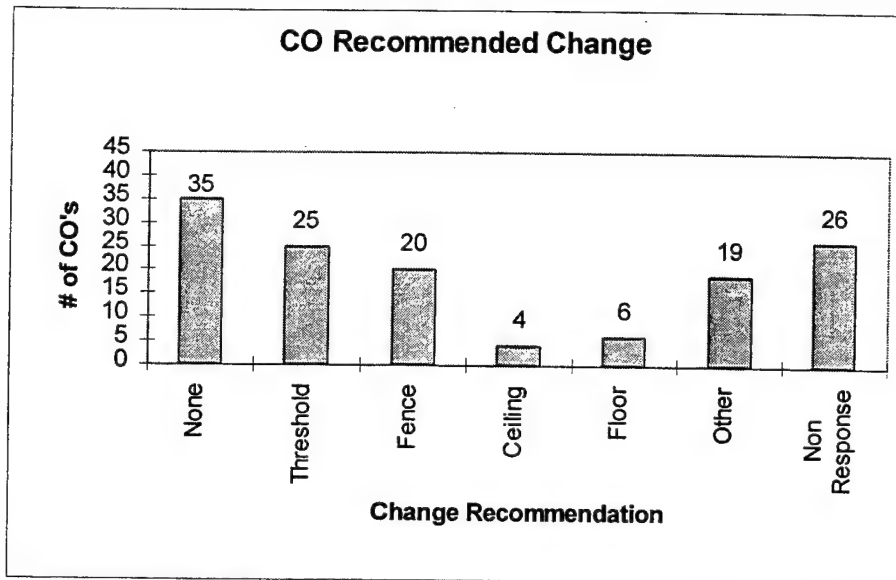


Figure 4.58. CO Recommended Control Change

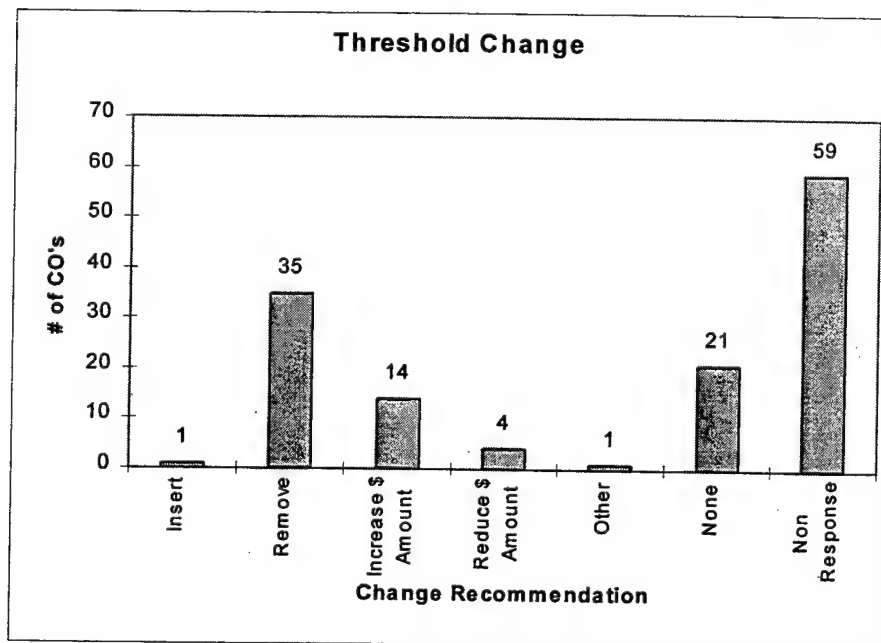


Figure 4.59. CO Threshold Change Recommendation

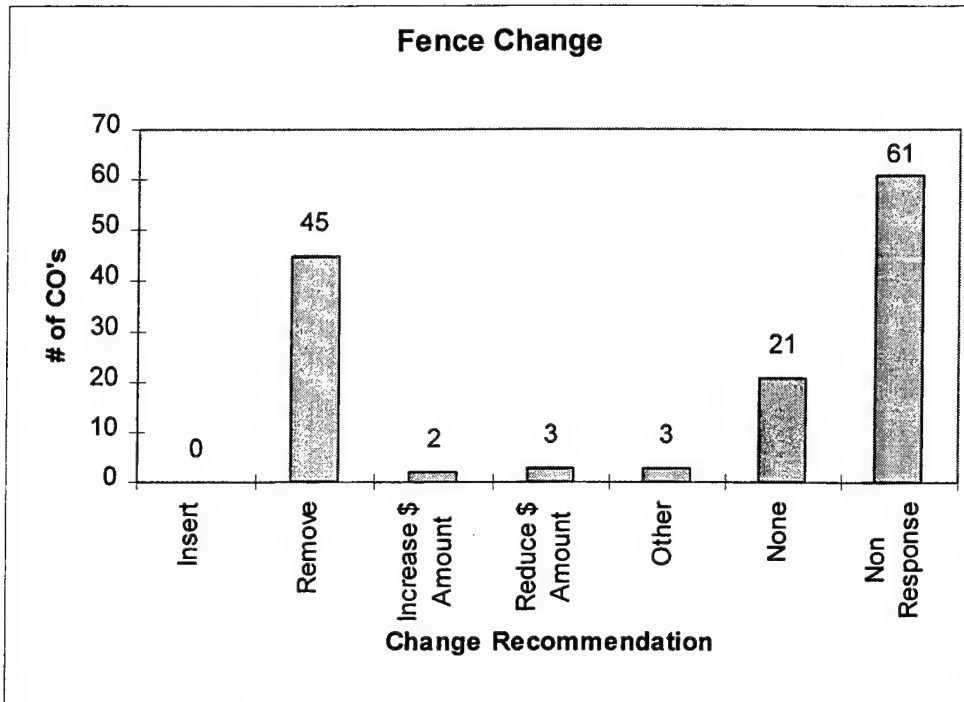


Figure 4.60. CO Fence Change Recommendation

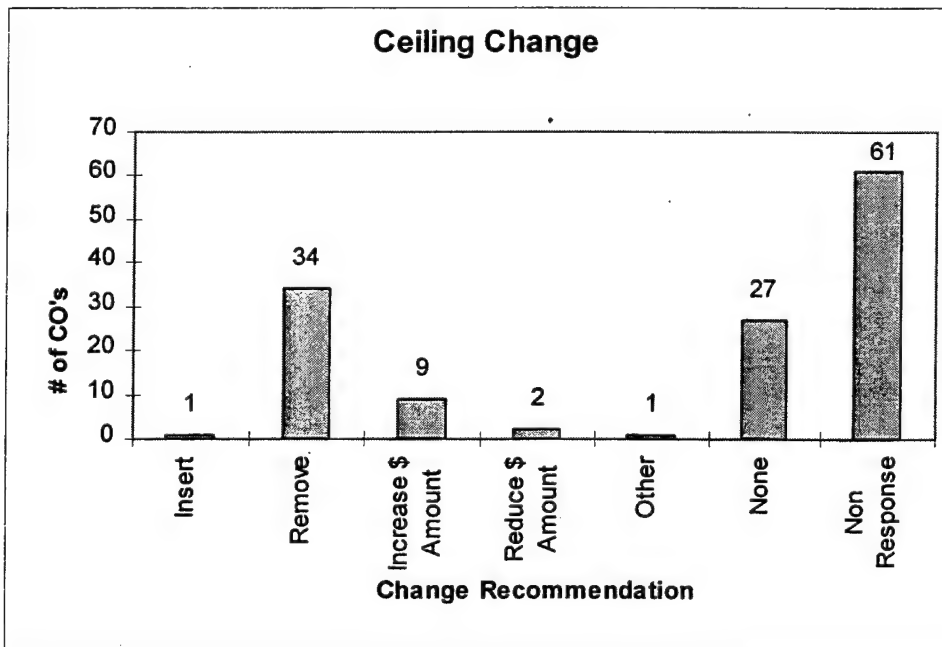


Figure 4.61. CO Ceiling Change Recommendation

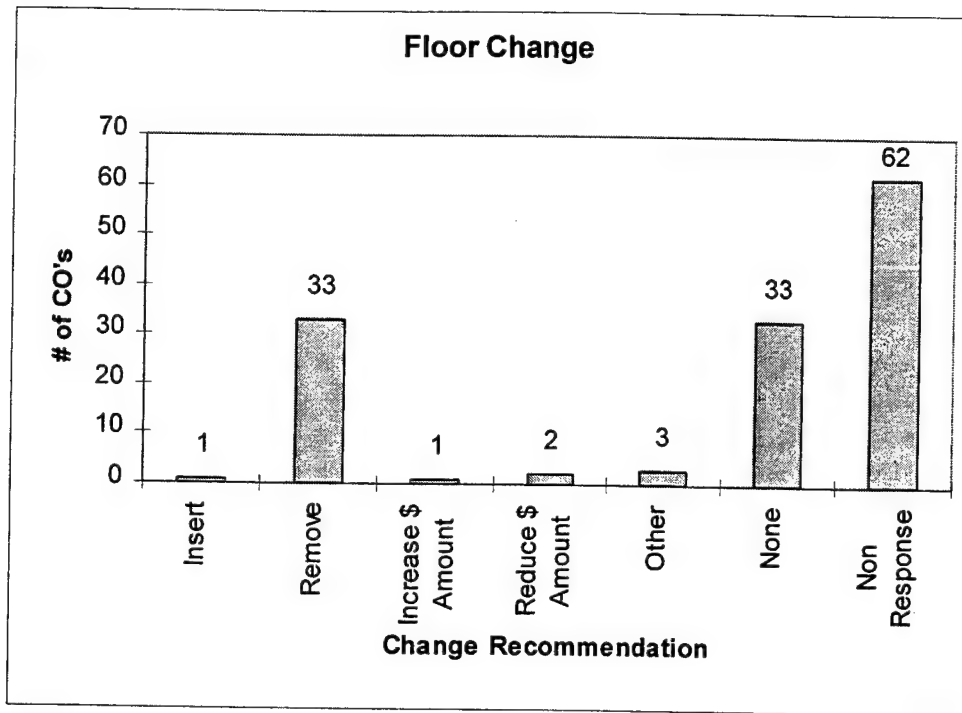


Figure 4.62. CO Floor Change Recommendation

D. ADDITIONAL COMMENTS

Both the comptrollers and the Commanding Officers were asked to provide any additional comments they wanted to provide. Most frequently the respondents refrained from responding to this open ended question.

1. Comptroller Perspective

The comptrollers most frequently responded that they had no comments. Those that did comment reiterated the problem areas previously mentioned, especially the failure to address emergent requirements. They added a few

recommendations like multiyear budgets and budget "targets" rather than rigid ceilings, floors, fences and thresholds. Table 4.5 shows the variety of response categories. Figure 4.63 shows the initial and Figure 4.64 shows the subsequent responses. The comptroller comments are contained in Appendix E. A sample of some comments follow.

Minor construction limit is too high, moved from \$300k to \$500k, but field activities do not receive additional funding. Projects in the \$500 range were too expensive to absorb from the O&MN budget.

O&MN threshold of \$100k for equipment not practical with LAN and ADP requirements.

Recommend knocking the ability to realign funds between appropriations(MPMC, MPMCR, O&M,MCR etc.) down from CMC to the MARFORPAC/LANT level. If local commander controls all this, and can reap the benefits of savings and re-alignment authority, you would see unlimited increase in efficiency and flexibility. It would probably take 5 -10 years to get the current accounting system (SABRS/IMAS) ready to handle this....Why not give some authority to a CG who must make life and death decisions?

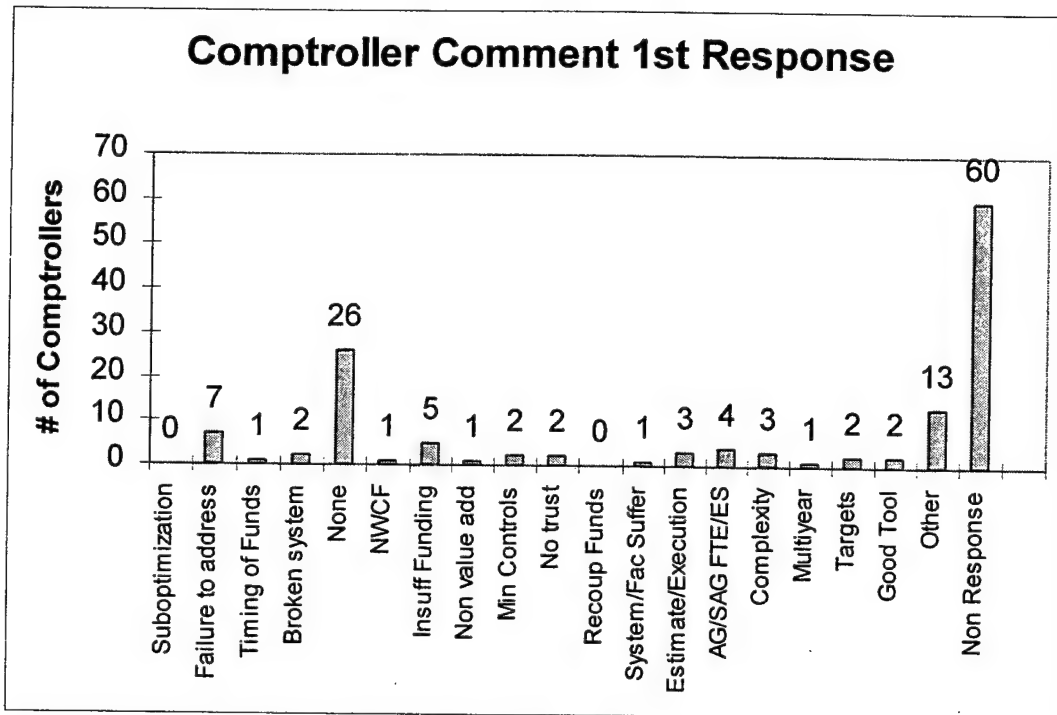


Figure 4.63. Comptroller Comment

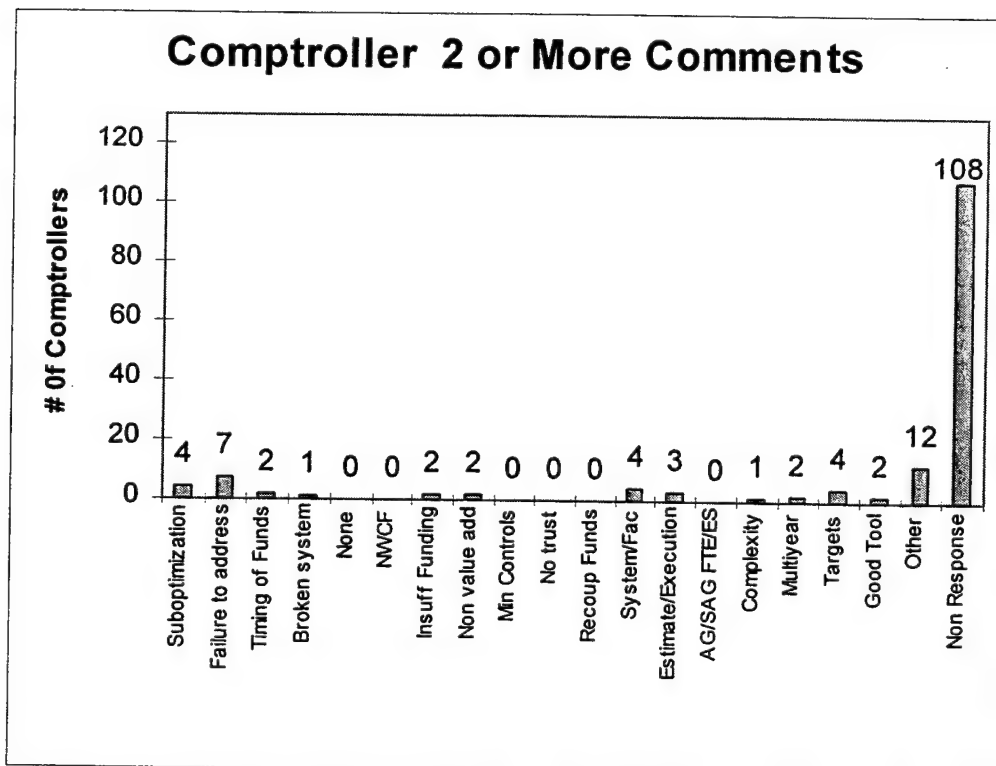


Figure 4.64. Comptroller Two or More Comments

Table 4.6. Additional Comments Cited by Survey Respondents

Category	Comment
Suboptimization	Suboptimization of some programs. Some items, often BOS/O&M Special Interest Items overfunded to detriment of other operations. Budget controls prevent command from funding essential requirements.
Failure to Add Emergent	Failure to address emergent requirements. Flexibility needed between programs to keep up with technology, meet mission and emergent requirements.
Timing of Funds	Time characteristics of money. Annual expiration of funds causes inappropriate spending. Quarterly distribution of funds not practical. Disincentive to save. Use or Lose.
Broken System	Systems problems, prevents planning. Need better accounting system to track costs.
None	None
NWCF	Navy Working Capital Fund issues. 60/40 rule. 51% management rule prevents cost savings, customers withholding funds.
Insuff Funding	Insufficient or reduced from previous budget creates difficulties in execution of programs.
Non Value Add Work	Creates extra work which adds no value to command mission. Increases paperwork, requiring staff time. Excessive time spent pursuing reprogram authorization. Increases time to perform mission by finding ways to work within the controls.
Min Controls	Minimal Controls-Reduced controls increase command latitude to conduct operations.
No trust	Controls demonstrate lack of trust in decision maker. Micro-management.
Recoup Funds	Reprogram authorization to augment deficient local program results in funds recouped and retained from identified program but not added to deficient local program, or "savings" recouped or deleted from future distributions.

System/Fac Suffer	Inability to purchase large items or systems with available funds; O&MN and OPN fund thresholds cause problems for command. MILCON, Minor Construction threshold difficulties, MC and MRP spending ratio inappropriate.
Estimate/ Execution	PPBS budget estimation created 2 years prior doesn't reflect emergent issues or current staff execution level.
AG/SAG FTE/ES	Activity Group (AG)/Sub Activity Group (SAG) or Full Time Equivalent (FTE)/End Strength (ES) controls cause unnecessary difficulty
Complexity	Too many different types of funds with different rules. Rules not located in one place. Outdated policies included with current policies. Need clear guidance and better communication.
Multiyear	Recommend a multiyear appropriation.
Targets	Recommend controls as "targets" with acceptable levels of deviation.
Good Tool	Fund controls are a good tool. They ensure the funds are used for appropriate items.
Other	Other
Non Response	Non Response

2. Commanding Officer Perspective

The Commanding Officers did not have a clear consensus comment. Counting the total comments the System Broken category garnered the most support. These Commanding Officers felt the entire system needed changing. They cited the inability to track costs of activities and the disincentives to saving inherent in the current system.

Another recurring theme that pervaded the comments of the Commanding Officers as a whole, both in this section and the previous problems identification section was the lack of trust and micromanagement of the Commanding Officers. Some said this directly, while others merely alluded to the mistrust. Figure 4.65 shows the initial comments of the Commanding Officers, and Figure 4.66 shows any additional comments. Appendix F contains the comments made by the Commanding Officers.

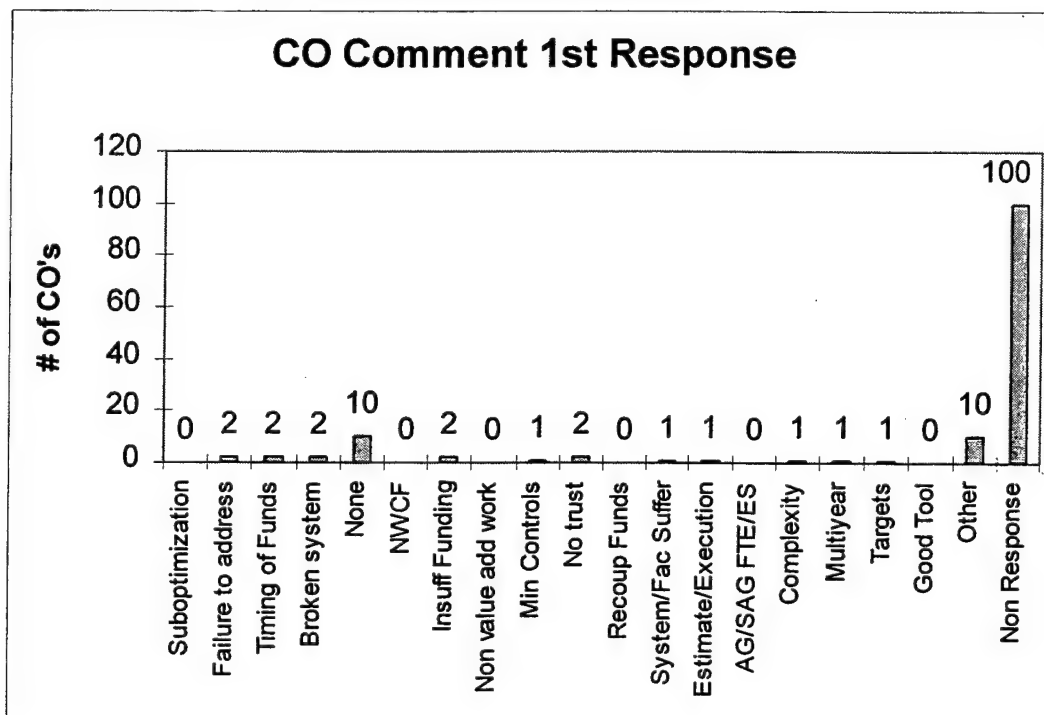


Figure 4.65.CO First Comment

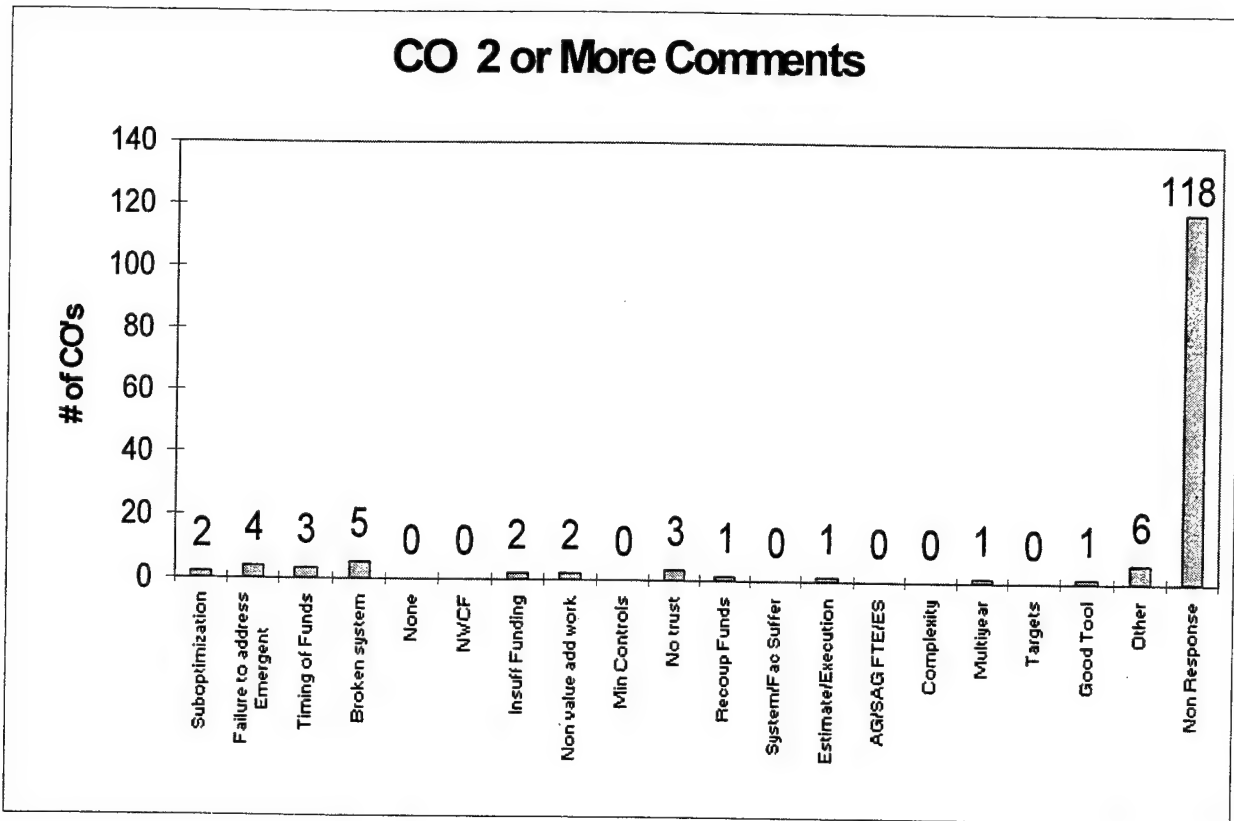


Figure 4.66. CO Two or More Responses

V. RESULTS OF ANALYSIS, CONCLUSIONS AND RECOMMENDATIONS

A. RESULTS OF ANALYSIS

1. Effects of Financial Controls

This thesis addressed the following primary research question: How do financial controls affect activity operations? The question has been answered by quantifying the responses of a systematically selected sample of Commanding Officers and Comptrollers. The Commanding Officer section was completed by Commanders, Commanding Officers and Civilian Directors. Comptrollers and some Budget Analysts completed the Comptroller section. The findings of this thesis, summarized below show that financial controls affect activity operations in a variety of ways.

a) Benefits of Financial Controls

The commands derive some benefit from the financial controls. However, command comptrollers seemed to have a more positive philosophical view of the benefits of the controls than do the Commanding Officers.

The commands identified the primary financial control benefit as the use of the funds as originally intended. The controls ensured that the funds would be distributed among competing priorities.

b) Problems Associated with Financial Controls

(1) Failure to Address Emergent Issues. Again, the Commanding Officers and comptrollers had different initial perceptions on the problems associated with the financial controls. They both agreed nonetheless that the financial controls caused the greatest problem by obstructing the command's ability to address emergent issues. Circumstances and priorities change due to unforeseen occurrences and improved technologies.

The budget, resulting from an historically based estimate does not reflect present day exigencies. Some of the survey respondents indicated that the amount of funding seemed to be decreasing which requires increased levels of budget flexibility to manage.

(2) Suboptimization. The Commanding Officer's next cited the controls suboptimization effect on their operations. Special interest items received the funding by

direction of the controls, while the "unglamorous" programs such as facilities contain deficits. The dynamics of thresholds and fences combine to increase the difficulty in keeping the facilities safe and presentable.

(3) Timing. Another problem experienced by the commands was the timing of the funding. They cited various negative effects as a result of the time characteristics of their funding. The expiration of funding at the end of the year, the use or lose mentality ,which in turn stifles any incentive a commander may have to save, and the quarterly distribution of funds combined to prevent the most effective use of the funds.

c) Problems Experienced by Functional Area

The Recruiting and Supply functions grouped in the Other category reported the highest problem report rate. The Support and Education functions reported the next highest problem rates respectively.

The number one complaint reported by all of the previously mentioned functions was the failure to address emergent issues. One Education function comptroller stated,

Fencing of funds severely limits the CO's flexibility to manage funds in the most efficient manner in the current constrained funding environment. For example: 51% of this command's budget was constrained by controls or fencing of funds. Of the remaining 49% of the budget, 74% was fixed costs such as civilian salaries, telephone bills, postage costs, service contracts, custodial, refuse and pest control contracts. This left a "discretionary" amount of only 7% of command's total FY97 budget.

One Support function Commanding Officer states,

If a CO chooses not to fund a program because it is the right thing to do, that money will just vanish next year. It is not possible to "save" money in order to apply it to priorities (i.e. family housing upgrades vs. airfield lighting/runway repair. I am told to operate like a business, but we have so many bureaucratic rules that installation commanders are forced to make "short-sighted" decisions. If the system doesn't trust the CO, good judgement will continue to be inhibited.

One Recruit/Supply function Comptroller wrote,

Things change. Emergent requirements might present different requirements than those budgeted. Budget adjustments can be arbitrarily imposed. Responding and anticipating these adjustments may necessitate greater flexibility in budget execution.

All three of these statements highlight the budget flexibility needed to manage a number of different and competing priorities. Another Education function comptroller eloquently stated,

With the availability of funds becoming tighter and tighter, ceilings and fences create pockets of funds that cannot be used to cover a deficit in another area even though these funds are unobligated. In reverse, it also means that problems are created when funds from other areas cannot be transferred to the control area if needed.

2. Financial Controls vs. Funding Levels

The Commanding Officers had more negative feelings towards the funding levels for their missions, quality of life and facilities than for the financial controls. The amount of funding they received made it difficult for them to support these three major priorities. These priorities are listed by hierarchy below:

1. Mission
2. Quality of Life
3. Facilities

The hierarchy explains the consistent complaints over the condition of the facilities. As one Commanding Officer states,

Fencing prohibits funding of much needed base facilities. NAVSTA has BOS requirement, but is inadequately funded to support tenant commands. As a result, the facilities are unsafe and a disgrace to the U.S, Navy.

B. RECOMMENDATIONS

1. Survey Respondent Recommendations

The most frequent response of both the comptrollers and the Commanding Officers was not to change the financial controls. The comptrollers' next most frequent response was to change fence controls. The Commanding Officers advocated changing the threshold controls. Of those advocating a change, given the opportunity to change the ceilings, floors, fences or threshold controls, the most common recommendation was to remove the controls.

2. Recommendations For Improvements

a) *Model Budget Program*

To address the "Failure to Address Emergent Issues," "Suboptimization" and "Timing" issues, the author recommends establishing a model budget test along the lines of the Unified Budget Test. This test, within the Department of the Navy organization could provide the selected activity commanders the flexibility to address emergent issues within their funding levels. The activities could operate without ceilings, fences, floors, thresholds, Full Time Equivalents, End Strength, and Sub Activity Groups. Removing these constraints would relieve them of forced suboptimization. Additionally, those commands that manage to "save" funds at year end, rather than "use or lose," could retain the funds into the next fiscal year.

The commands would not be without guidance from their claimants but rather would be provided budget targets within the budget allotment instead of rigid controls.

Upon the proven success of the model program, changes could be expanded to the Navy organization to

increase the efficiency and effectiveness of the Navy overall.

b) Additional Recommendations

(1) Provide the budget in two year allotments, rewarding commands that manage to operate with "savings."

(2) Discontinue the old Sub Activity Groups (SAGs), as they cause added workload for the commands with no added benefit to their operation. Some of the commands praised the creation of the new SAGS, which reduced the number of SAGs but complained about the continued use of the old SAGs by their major claimant.

(3) Consolidate the NAVCOMPT financial guidance into one complete non-conflicting source. Financial guidance is currently in several volumes with widely varying dates of publication. No one source identifies which instructions are current.

(4) Develop a formula to capture the dynamics of an increase in the threshold amount. Commands find that when the threshold increases in the Operations and Maintenance account, their funding is not sufficient to purchase the equipment they are now expected to fund.

Theoretically, funds from the Procurement account would be transferred to the Operations and Maintenance account to cover the increased purchases. This recommendation also pertains to Minor Construction and Military Construction

(5) Provide commands with a dynamic accounting system to identify the costs of running the command and measure the effectiveness of operations by output and outcomes as required by the Government Performance and Results Act (GPRA).

3. Recommendations for Further Research

The survey respondents mentioned issues and controls that were not initially included in the survey. More people may have shared some of the same views and marked the appropriate blocks if those issues and controls identified by the respondents had been provided.

For example, Full Time Equivalents, End Strength, Activity Groups and Sub Activity Group controls were not included in the survey, but several respondents mentioned these controls in their responses.

Reading the responses to the survey raised a number of questions in the thesis author's mind. The following is a compilation of these questions.

(1) What is the cost of managing around the financial controls?

(2) What is the actual rate of fund recoupment resulting from reprogramming requests?

(3) How do FTE/ES controls impact fund management and command effectiveness?

(4) What effect has regionalization of the comptroller function had on mission effectiveness at the subordinate levels?

(5) Which controls are more problematic for commands?

(6) Why do comptrollers and CO's have different perceptions on the problems associated with financial controls?

C. SUMMARY

This thesis covered a brief background of the budget process and the changing environment of the Department of

Defense. The survey research investigated the impact of the fiscal constraints on activity operations.

While not all commands experienced difficulty with financial controls, a sufficient number of commands, especially in the Recruiting, Supply and Support Functions found their financial controls prevented them from addressing emergent issues in a timely manner. The commands would benefit in increased efficiency and effectiveness from extended budget flexibility. To provide further evidence of the benefits of budget flexibility a model program allowing commanders the ability to move funds within funding levels should be developed.

APPENDIX A. SURVEY QUESTIONNAIRE

Survey of Financial Resource Controls

The purpose of this survey is to identify the sources and quantify the effects of the fund controls in terms of limitations and restrictions. The surveys will be collected and compiled by the Naval Postgraduate School. Only the researcher will have access to individual survey data. Aggregate data only will be reported in a Thesis and provided to the Navy.

Part I Demographics

1. What is your Activity's physical size?

- a. ☐ Less than one acre
- b. ☐ 1-5 acres
- c. ☐ 6-10 acres
- d. ☐ 11-20 acres
- e. ☐ 21-50 acres
- f. ☐ 50+ acres

2. What is your official command mission?

3. What is the size of your command in terms of personnel? (Military, civilian and contract employees combined)

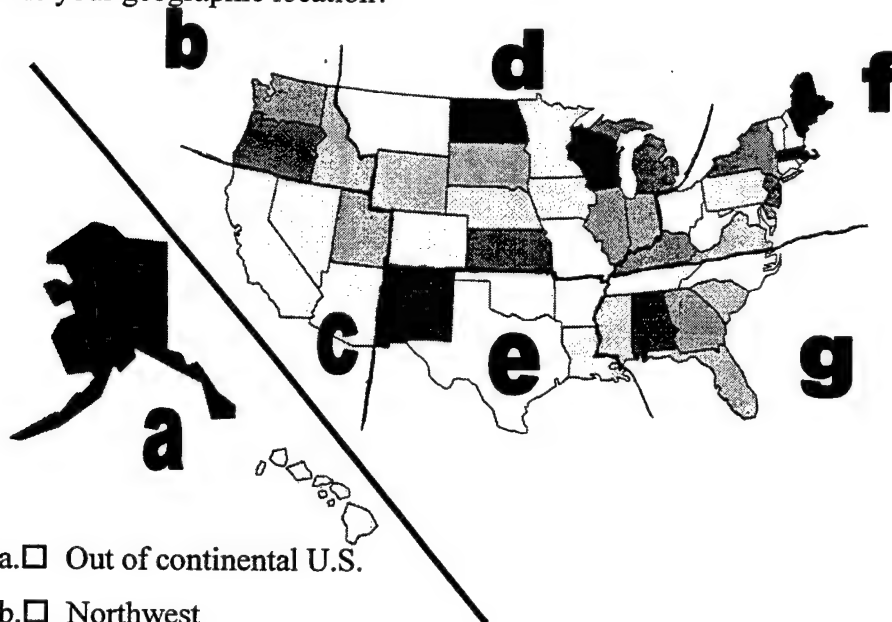
- a. ☐ 50 or less
- b. ☐ 51 - 250
- c. ☐ 251 - 500
- d. ☐ 501 - 1,000
- e. ☐ 1,000 - 5,000
- f. ☐ 5,000 - 15,000
- g. ☐ 15,000 +

Survey of Financial Resource Controls

4. Who is your Major Claimant? (Echelon II)

- a. ☐ Chief of Bureau of Medicine and Surgery
- b. ☐ Chief of Naval Education and Training
- c. ☐ Chief of Naval Personnel
- d. ☐ Chief of Naval Research
- e. ☐ Commander in Chief, U.S. Atlantic Fleet
- f. ☐ Commander in Chief, U.S. Pacific Fleet
- g. ☐ Commander, Military Sealift Command
- h. ☐ Commander, Naval Air Systems Command
- i. ☐ Commander, Naval Computer and Telecommunications Command
- j. ☐ Commander, Naval Facilities Engineering Command
- k. ☐ Commander, Naval Meteorology Oceanography Command
- l. ☐ Commander, Naval Reserve Force
- m. ☐ Commander, Naval Sea Systems Command
- n. ☐ Commander, Naval Security Group Command
- p. ☐ Commander, Naval Special Warfare Systems Command
- q. ☐ Commander, Space and Naval Warfare Systems Command
- r. ☐ Other _____

5. What is your geographic location?



- a. ☐ Out of continental U.S.
- b. ☐ Northwest
- c. ☐ Southwest
- d. ☐ North Central
- e. ☐ South Central
- f. ☐ Northeast
- g. ☐ Southeast

Survey of Financial Resource Controls

6. Do you have tenant activities?

- a. ☐ Yes
- b. ☐ No (Skip to question 9.)

7. How many shore tenant commands do you have?

- a. ☐ None
- b. ☐ Less than 20 commands
- c. ☐ 20 -30 commands
- d. ☐ 31 -60 commands
- e. ☐ 60+ commands

8. How many afloat/operational tenant commands do you have?

- a. ☐ None
- b. ☐ Less than 20 commands
- c. ☐ 20 -30 commands
- d. ☐ 31 -60 commands
- e. ☐ 60+ commands

9. Do you receive funding to operate: Yes (Check all that apply)

- | | |
|---|--------------------------|
| a. Bachelor housing? | <input type="checkbox"/> |
| b. Family housing? | <input type="checkbox"/> |
| c. Public Works? | <input type="checkbox"/> |
| d. Public Works contract? | <input type="checkbox"/> |
| e. Family Service Center? | <input type="checkbox"/> |
| f. Civilian Personnel Office? | <input type="checkbox"/> |
| g. Morale, Welfare and Recreation Programs? | <input type="checkbox"/> |
| h. Navy Exchange? | <input type="checkbox"/> |
| i. None of the above | <input type="checkbox"/> |

Survey of Financial Resource Controls

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Part II Comptroller Survey Questions

10. How long have you worked in the financial field?

- | | | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Less than 1 year | 1-2 years | 2-4 years | 4-6 years | 6-8 years | 8-10 years | 10-12 years |
| a. <input type="checkbox"/> | b. <input type="checkbox"/> | c. <input type="checkbox"/> | d. <input type="checkbox"/> | e. <input type="checkbox"/> | f. <input type="checkbox"/> | g. <input type="checkbox"/> |
| 12-14 years | | | 14-20 years | 20 + years | | |
| h. <input type="checkbox"/> | | | i. <input type="checkbox"/> | j. <input type="checkbox"/> | | |

11. How much Navy specific financial experience do you have?

- | | | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Less than 1 year | 1-2 years | 2-4 years | 4-6 years | 6-8 years | 8-10 years | 10-12 years |
| a. <input type="checkbox"/> | b. <input type="checkbox"/> | c. <input type="checkbox"/> | d. <input type="checkbox"/> | e. <input type="checkbox"/> | f. <input type="checkbox"/> | g. <input type="checkbox"/> |
| 12-14 years | | | 14-20 years | 20 + years | | |
| h. <input type="checkbox"/> | | | i. <input type="checkbox"/> | j. <input type="checkbox"/> | | |

12. How much total time have you worked for the Navy?

- | | | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Less than 1 year | 1-2 years | 2-4 years | 4-6 years | 6-8 years | 8-10 years | 10-12 years |
| a. <input type="checkbox"/> | b. <input type="checkbox"/> | c. <input type="checkbox"/> | d. <input type="checkbox"/> | e. <input type="checkbox"/> | f. <input type="checkbox"/> | g. <input type="checkbox"/> |
| 12-14 years | | | 14-20 years | 20 + years | | |
| h. <input type="checkbox"/> | | | i. <input type="checkbox"/> | j. <input type="checkbox"/> | | |

13. Are you a civilian or military comptroller?

Civilian

☐

Military

☐

Survey of Financial Resource Controls

Directives and guidance on fund use include the placement of ceilings, fences, floors and thresholds. To ensure consistent survey results, these fund control terms are defined as the following:

CEILING—A maximum amount of funding designated for a specific purpose. Example: \$500k ceiling of O&M for Bachelor Enlisted Quarters (BEQ), in other words, no more than \$500k could be spent on the BEQ.

FENCE—Explicit limitations on uses of funds; certain items are excluded from purchase by particular funding. Example: \$800k of O&M allocated for Family Service Center (FSC), in other words, the \$800k could only be used to fund the FSC.

FLOOR—A minimum amount of funding designated for a specific purpose. Example: \$300k floor of O&M for BEQ, in other words, no less than \$300k of the O&M funds could be used for the BEQ.

THRESHOLD—A specific amount which must be met in some cases to use, and must not be exceeded in other cases. Example: A computer system of \$800k could not be purchased with available O & M funds because of a \$500K **threshold**. The computer must instead be purchase with OPN.

14. Complete the following table indicating the dollar amounts of \$FY97 funds you received of each type; if no funds were received of a particular type, indicate with a zero (Ø). Indicate the source of the funds using the key below. Utilize the same key to indicate the source of floors, ceilings and thresholds. If you are unsure of the source of the restrictions, indicate by entering "unsure". If the funds are not restricted by a floor, ceiling or threshold, indicate by entering "none".

Survey of Financial Resource Controls

Key to identify command

- a. Chief of Bureau of Medicine and Surgery
- b. Chief of Naval Education and Training
- c. Chief of Naval Personnel
- d. Chief of Naval Research
- e. Commander in Chief, U.S. Atlantic Fleet
- f. Commander in Chief, U.S. Pacific Fleet
- g. Commander, Military Sealift Command
- h. Commander, Naval Air Systems Command
- i. Commander, Naval Computer and Telecommunications Command
- j. Commander, Naval Facilities Engineering Command
- k. Commander, Naval Meteorology Oceanography Command
- l. Commander, Naval Reserve Force
- m. Commander, Naval Sea Systems Command
- n. Commander, Naval Security Group Command
- o. Commander, Naval Special Warfare Systems Command
- p. Commander, Space and Naval Warfare Systems Command
- q. U.S. Army
- r. U.S. Air Force
- s. U.S. Marine Corps
- t. Congress
- u. Office of the Secretary of Defense (OSD)
- v. Chief of Naval Operations (CNO)
- w. Secretary of the Navy (SECNAV)
- x. Other (specify) _____
- y. Other (specify) _____
- z. Other (specify) _____
- aa. Other (specify) _____

Example: This Atlantic Fleet command receives O&M funds through the chain of command, with restrictions in the form of floors, fences, ceilings and thresholds. These restrictions come from the major claimant and in some cases from the second echelon commander, Commander Naval Sample Command.

x. Other (specify) Commander Naval Sample Command

Fund Type	Source	Dollar Amt	Contains Floors	Contains Ceilings	Contains Fences	Contains Thresholds
Operations and Maintenance	e	\$800k	x	e, x	x	unsure
Research, Development, Test and Evaluation	Ø					

Survey of Financial Resource Controls

14. (Continued) \$FY97

Fund Type	Source of Fund	Dollar Amount	Contains Floors	Contains Ceilings	Contains Fences	Contains Thresholds
Operations and Maintenance						
Research, Development, Test and Evaluation						
Aircraft Procurement						
Weapons Procurement						
Other Procurement						
Shipbuilding & Conversion						
Military Construction						
Family Housing						
Department of Defense Funds						
(Working Capital Fund)						
Non-appropriated (NAF)						
Other _____						
Other _____						
Other _____						
Other _____						

Please provide a point of contact for the completion of this table. Only the researcher will have access to this information. POC _____

Phone _____

Survey of Financial Resource Controls

15. Describe any guidance which restricts the use of \$FY97 funds in addition to those described by the table.

16. Describe any benefits derived from the controls you described in questions 13 and 14 on your use of the funds.

Survey of Financial Resource Controls

17. Describe any difficulties created by the controls you described in questions 13 and 14 on the use of your funds.

18. How do the controls on FY 97 funds compare to previous years?

Don't know	Much Better	Better	No Difference	Worse	Much Worse
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>	f. <input type="checkbox"/>

Survey of Financial Resource Controls

19. To increase the effectiveness of the use of funds which policy or law change would cause the greatest effect? (Mark only one choice)

a. ☐ No change (Skip to question 23.)

b. ☐ Change threshold requirements.

c. ☐ Change fence requirements.

d. ☐ Change ceiling requirements.

e. ☐ Change floor requirements.

f. ☐ Other _____

g. (Explain if you marked "Other") _____

20. Which category best describes the change to threshold requirements you would make?

a. ☐ Insert threshold requirements.

b. ☐ Remove threshold requirements.

c. ☐ Increase threshold dollar amounts.

d. ☐ Reduce threshold dollar amounts.

e. ☐ Other (describe) _____

f. ☐ None

Survey of Financial Resource Controls

21. Which category best describes the change to fence requirements you would make?

- a. ☐ Insert fence requirements.
- b. ☐ Remove fence requirements.
- c. ☐ Increase fence dollar amounts.
- d. ☐ Reduce fence dollar amounts.
- e. ☐ Other (describe) _____

f. ☐ None

22. Which category best describes the change to ceiling requirements you would make?

- a. ☐ Insert ceiling requirements.
- b. ☐ Remove ceiling requirements.
- c. ☐ Increase ceiling dollar amounts.
- d. ☐ Reduce ceiling dollar amounts.
- e. ☐ Other (describe) _____

f. ☐ None

23. Which category best describes the change to floor requirements you would make?

- a. ☐ Insert floor requirements.
- b. ☐ Remove floor requirements.
- c. ☐ Increase floor dollar amounts.
- d. ☐ Reduce floor dollar amounts.
- e. ☐ Other (describe) _____

f. ☐ None

Survey of Financial Resource Controls

24. Any comments you have about this survey or the issue of funds controls and how they help or hinder your ability to perform your missions will be appreciated.

Survey of Financial Resource Controls

Thank you for your time in completing this survey.

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Part III Commanding Officer Survey Questions

25. How long is the expected Commanding Officer tour length for your current command?

Less than 12 months	13-18 months	19-24 months	25-36 months	36+ months
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>

How many months have you been in command this current tour?

Less than 12 months	13-18 months	19-24 months	25-36 months	36+ months
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>

26. Have you had command with a budget before this current tour?

Yes, less than 12 months	Yes, 12+ months	No, I've never had command with a budget
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>

27. Do you have a financial management subspecialty code (XX31)?

a. <input type="checkbox"/> No	f. <input type="checkbox"/> XX31F	k. <input type="checkbox"/> XX31P
b. <input type="checkbox"/> XX31B	g. <input type="checkbox"/> XX31G	l. <input type="checkbox"/> XX31Q
c. <input type="checkbox"/> XX31C	h. <input type="checkbox"/> XX31H	m. <input type="checkbox"/> XX31S
d. <input type="checkbox"/> XX31D	i. <input type="checkbox"/> XX31M	n. <input type="checkbox"/> XX31T
e. <input type="checkbox"/> XX31E	j. <input type="checkbox"/> XX31N	

Directives and guidance on fund use include the placement of ceilings, fences, floors and thresholds. To ensure consistent survey results, these fund control terms are defined as the following:

CEILING—A maximum amount of funding designated for a specific purpose. Example: \$500k ceiling of O&M for Bachelor Enlisted Quarters (BEQ), in other words, no more than \$500k could be spent on the BEQ.

FENCE—Explicit limitations on uses of funds; certain items are excluded from purchase by particular funding. Example: \$800k of O&M allocated for Family Service Center (FSC), in other words, the \$800k could only be used to fund the FSC.

Survey of Financial Resource Controls

FLOOR—A minimum amount of funding designated for a specific purpose.
Example: \$300k floor of O&M for BEQ, in other words, no less than \$300k of the O&M funds could be used for the BEQ.

THRESHOLD—A specific amount which must be met in some cases to use, and must not be exceeded in other cases. Example: A computer system of \$800k could not be purchased with available O & M funds because of a \$500K **threshold**. The computer must instead be purchase with OPN.

28. The amounts of funds allocated allow me to meet mission requirements without difficulty.

Strongly Agree	Agree	Agree Somewhat	Disagree Somewhat	Disagree	Strongly Disagree
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>	f. <input type="checkbox"/>

29. Following the directives and guidance for use of the funds allocated I am able to meet mission requirements without difficulty.

Strongly Agree	Agree	Agree Somewhat	Disagree Somewhat	Disagree	Strongly Disagree
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>	f. <input type="checkbox"/>

30. The amounts of funds allocated allow me to fully support quality of life programs for my personnel without difficulty.

Strongly Agree	Agree	Agree Somewhat	Disagree Somewhat	Disagree	Strongly Disagree
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>	f. <input type="checkbox"/>

31. Following the directives and guidance for use of the funds allocated I am able to fully support quality of life programs for my personnel without difficulty.

Strongly Agree	Agree	Agree Somewhat	Disagree Somewhat	Disagree	Strongly Disagree
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>	f. <input type="checkbox"/>

32. The amounts of funds allocated allow me to maintain facilities in optimal condition without any difficulty.

Strongly Agree	Agree	Agree Somewhat	Disagree Somewhat	Disagree	Strongly Disagree	Not Applicable
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>	f. <input type="checkbox"/>	g. <input type="checkbox"/>

Survey of Financial Resource Controls

33. Following the directives and guidance for use of the funds allocated I am able to maintain facilities in optimal condition without any difficulty.

Strongly Agree	Agree	Agree Somewhat	Disagree Somewhat	Disagree	Strongly Disagree	Not Applicable
a. <input type="checkbox"/>	b. <input type="checkbox"/>	c. <input type="checkbox"/>	d. <input type="checkbox"/>	e. <input type="checkbox"/>	f. <input type="checkbox"/>	g. <input type="checkbox"/>

34. Describe any benefits derived from the controls on your use of the funds.

35. Describe any difficulties created by the controls on the use of your funds.

Survey of Financial Resource Controls

36. How do the controls on FY 97 funds compare to previous years?

- | | | | | | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Don't know | Much Better | Better | No Difference | Worse | Much Worse |
| a. <input type="checkbox"/> | b. <input type="checkbox"/> | c. <input type="checkbox"/> | d. <input type="checkbox"/> | e. <input type="checkbox"/> | f. <input type="checkbox"/> |

37. To increase the effectiveness of the use of funds which policy or law change would cause the greatest effect? **(Mark only one choice)**

- a. ☐ No change (Skip to question 41.)
- b. ☐ Change threshold requirements.
- c. ☐ Change fence requirements.
- d. ☐ Change ceiling requirements.
- e. ☐ Change floor requirements.
- f. ☐ Other _____

g. (Explain if you marked "Other" _____

38. Which category best describes the change to threshold requirements you would make?

- a. ☐ Insert threshold requirements.
- b. ☐ Remove threshold requirements.
- c. ☐ Increase threshold dollar amounts.
- d. ☐ Reduce threshold dollar amounts.
- e. ☐ Other (describe) _____

f. ☐ None

39. Which category best describes the change to fence requirements you would make?

- a. ☐ Insert fence requirements.
- b. ☐ Remove fence requirements.
- c. ☐ Increase fence dollar amounts.
- d. ☐ Reduce fence dollar amounts.
- e. ☐ Other (describe) _____

- f. ☐ None

40. Which category best describes the change to ceiling requirements you would make?

- a. ☐ Insert ceiling requirements.
- b. ☐ Remove ceiling requirements.
- c. ☐ Increase ceiling dollar amounts.
- d. ☐ Reduce ceiling dollar amounts.
- e. ☐ Other (describe) _____

- f. ☐ None

41. Which category best describes the change to floor requirements you would make?

- a. ☐ Insert floor requirements.
- b. ☐ Remove floor requirements.
- c. ☐ Increase floor dollar amounts.
- d. ☐ Reduce floor dollar amounts.
- e. ☐ Other (describe) _____

- f. ☐ None

Survey of Financial Resource Controls

42. Any comments you have about this survey or the issue of funds controls and how they help or hinder your ability to perform your missions will be appreciated.

Thank you for your time in completing this survey.

Please mail the completed survey to:

CDR M. Alexander
C/o Professor Barrios-Choplin
Systems Management Dept SM/BC
Naval Postgraduate School
1 University Circle
Monterey, CA 93943

APPENDIX B. SURVEY CODING

Part I Demographics

1. What is your Activity's physical size?

- | | |
|-----------------------|----------------|
| 1. Less than one acre | 4. 11-20 acres |
| 2. 1-5 acres | 5. 21-50 acres |
| 3. 6-10 acres | 6. 50+ acres |
| 99. Non Response | |

2. What is your official command mission?

- | | |
|-------------------|------------------|
| 1. Administration | 8. Ordnance |
| 2. C4I | 9. None |
| 3. Education | 10. Repair |
| 4. Other | 11. Support |
| 5. Management | 12. Technical |
| 6. Medical | 99. Non Response |
| 7. Dental | |

3. What is the size of your command in terms of personnel? (Military, civilian and contract employees combined)

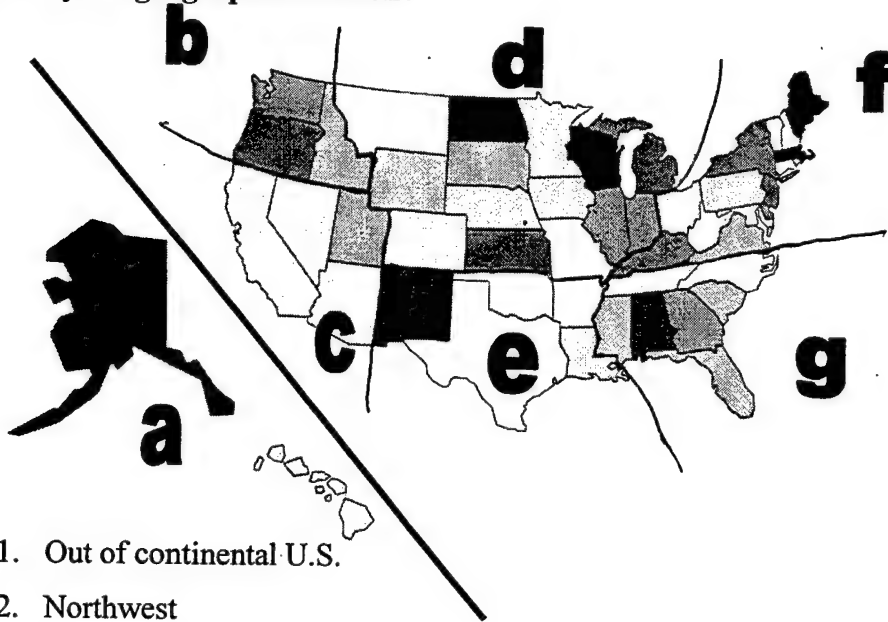
- | | |
|---------------|-------------------|
| 1. 50 or less | 5. 1,000 -5,000 |
| 2. 51 – 250 | 6. 5,000 - 15,000 |
| 3. 251 – 500 | 7. 15,000 + |
| 4. 501 -1,000 | 99. Non Response |

4. Who is your Major Claimant? (Echelon II)

1. Chief of Bureau of Medicine and Surgery
2. Chief of Naval Education and Training
3. Chief of Naval Personnel
4. Commander in Chief, U.S. Atlantic Fleet
5. Commander in Chief, U.S. Pacific Fleet
6. Commander, Naval Supply Command
7. Commander, Naval Air Systems Command
8. Commander, Naval Computer and Telecommunications Command

10. Commander, Naval Facilities Engineering Command
11. Commander, Naval Meteorology Oceanography Command
12. Commander, Naval Reserve Force
13. Commander, Naval Sea Systems Command
14. Commander, Naval Security Group Command
15. Commander, Naval Special Warfare Systems Command
16. Other
17. United States Marine Corps
99. Non Response

5. What is your geographic location?



1. Out of continental U.S.
2. Northwest
3. Southwest
4. North Central
5. South Central
6. Northeast
7. Southeast
99. Non Response

6. Do you have tenant activities?

- 1. Yes
- 9. No
- 99. Non Response

7. How many shore tenant commands do you have?

8. How many afloat/operational tenant commands do you have?

- | | |
|--------------------------|--------------------|
| 1. None | 4. 31 -60 commands |
| 2. Less than 20 commands | 5. 60+ commands |
| 3. 20 -30 commands | 99. Non Response |

9. Do you receive funding to operate: Yes 1 No 9(If not marked, but some indications that this question was reviewed. For example, some marked "Yes.")

- | | |
|------------------------------------|--|
| 9a. Bachelor housing? | 9f. Civilian Personnel Office? |
| 9b. Family housing? | 9g. Morale, Welfare and
Recreation
Programs? |
| 9c. Public Works? | 9h. Navy Exchange? |
| 9d. Public Works contract? | |
| 9e. Family Service Center? | |
| None of the above (9 for 9a - 9h) | |
| 99. Non Response | |

Part II Comptroller Survey Questions

10. How long have you worked in the financial field?

11. How much Navy specific financial experience do you have?

12. How much total time have you worked for the Navy?

- | | |
|---------------------|------------------|
| 1. Less than 1 year | 6. 8-10 years |
| 2. 1-2 years | 7. 10-12 years |
| 3. 2-4 years | 8. 12-14 years |
| 4. 4-6 years | 9. 14-20 years |
| 5. 6-8 years | 10. 20 + years |
| | 99. Non Response |

13. Are you a civilian or military comptroller?

- 1. Civilian
- 9. Military
- 99. Non Response

14. Complete the following table indicating the dollar amounts of \$FY97 funds you received of each type; if no funds were received of a particular type, indicate with a zero (Ø). Indicate the source of the funds using the key below. Utilize the same key to indicate the source of floors, ceilings and thresholds. If you are unsure of the source of the restrictions, indicate by entering "unsure". If the funds are not restricted by a floor, ceiling or threshold, indicate by entering "none".

Not Coded.

15. Describe any guidance which restricts the use of \$FY97 funds in addition to those described by the table. . (See Table 4.3 for key to categories)

- | | |
|---|---------------------------|
| 1. Reimbursable Documents | 6. Major Claimant |
| 2. Federal, DOD, and NAVCOMPT regulations and statutes | 7. Special Interest Items |
| 3. Maintenance and Real Property (MRP0/ Minor Construction (MC) | 8. Travel Restrictions |
| 4. Full Time Equivalents (FTE) and End Strength (ES) | 9. None |
| 5. Activity Group(AG)/Sub Activity Group (SAG) | 10. Other |
| | 99. Non Response |

16. Describe any benefits derived from the controls you described in questions 13 and 14 on your use of the funds. (See Table 4.4 for key to categories.)

- | | |
|----------------------|------------------|
| 1. Existence | 7. Intended Use |
| 2. Prevent Overbuild | 8. Account |
| 3. Distribution | 9. None |
| 4. Guidance | 10. Other |
| 5. Planning | 99. Non Response |
| 6. Minimal Controls | |

Survey Coding

17. Describe any difficulties created by the controls you described in questions 13 and 14 on the use of your funds. (See Table 4.5 for key to categories.)

- | | |
|--------------------------------|-------------------------------|
| 1. Suboptimization | 9. None |
| 2. Failure to Address Emergent | 10. No Trust |
| 3. Timing of Funds | 11. Recoupment of Funds |
| 4. Unglamorous Programs Suffer | 12. Systems/Facilities Suffer |
| 5. Broken System | 13. Estimate / Execution |
| 6. NWCF | 14. Other |
| 7. Insufficient Funding | 99. Non Response |
| 8. Non Value Added Work | |

18. How do the controls on FY 97 funds compare to previous years?

- 1. Don't know
- 2. Much Better
- 3. Better
- 4. No Difference
- 5. Worse
- 6. Much Worse
- 99. Non Response

19. To increase the effectiveness of the use of funds which policy or law change would cause the greatest effect?

- | | |
|-----------------------------------|---------------------------------|
| 1. No change | 4. Change ceiling requirements. |
| 2. Change threshold requirements. | 5. Change floor requirements. |
| 3. Change fence requirements. | 6. Other |
| | 99. Non Response |

20. Which category best describes the change to threshold requirements you would make?

- | | |
|---------------------------------------|-------------------------------------|
| 1. Insert threshold requirements. | 4. Reduce threshold dollar amounts. |
| 2. Remove threshold requirements. | 5. Other |
| 3. Increase threshold dollar amounts. | 9. None |
| | 99. Non Response |

21. Which category best describes the change to fence requirements you would make?

- | | |
|-----------------------------------|------------------|
| 1. Insert fence requirements. | 5. Other |
| 2. Remove fence requirements. | 9. None |
| 3. Increase fence dollar amounts. | 99. Non Response |
| 4. Reduce fence dollar amounts. | |

22. Which category best describes the change to ceiling requirements you would make?

- | | |
|-------------------------------------|------------------|
| 1. Insert ceiling requirements. | 5. Other |
| 2. Remove ceiling requirements. | 9. None |
| 3. Increase ceiling dollar amounts. | 99. Non Response |
| 4. Reduce ceiling dollar amounts. | |

23. Which category best describes the change to floor requirements you would make?

- | | |
|-----------------------------------|------------------|
| 1. Insert floor requirements. | 5. Other |
| 2. Remove floor requirements. | 9. None |
| 3. Increase floor dollar amounts. | 99. Non Response |
| 4. Reduce floor dollar amounts. | |

24. Any comments you have about this survey or the issue of funds controls and how they help or hinder your ability to perform your missions will be appreciated.

- | | |
|--------------------------------|-------------------------------|
| 1. Suboptimization | 11. Recoupment of Funds |
| 2. Failure to Address Emergent | 12. Systems/Facilities Suffer |
| 3. Timing of Funds | 13. Estimate / Execution |
| 4. Broken System | 14. AG/SAG FTE/ES |
| 5. NWCF | 15. Complexity |
| 6. Insufficient Funding | 16. Multiyear Appropriation |
| 7. Non Value Added Work | 17. Targets |
| 8. Minimal Controls | 18. Good Tool |
| 9. None | 14. Other |
| 10. No Trust | 99. Non Response |

Part III Commanding Officer Survey Questions

25. How long is the expected Commanding Officer tour length for your current command?

25a. How many months have you been in command this current tour?

1. Less than 12 months
2. 13-18 months
3. 19-24 months
4. 25-36 months
5. 36+ months
99. Non Response

26. Have you had command with a budget before this current tour?

1. Yes, less than 12 months
2. Yes, 12+ months
3. No, I've never had command with a budget

27. Do you have a financial management subspecialty code (XX31)?

- | | | |
|----------|-----------|------------------|
| 1. No | 6. XX31F | 11. XX31P |
| 2. XX31B | 7. XX31G | 12. XX31Q |
| 3. XX31C | 8. XX31H | 13. XX31S |
| 4. XX31D | 9. XX31M | 14. XX31T |
| 5. XX31E | 10. XX31N | 99. Non Response |

28. The amounts of funds allocated allow me to meet mission requirements without difficulty.

29. Following the directives and guidance for use of the funds allocated I am able to meet mission requirements without difficulty.

30. The amounts of funds allocated allow me to fully support quality of life programs for my personnel without difficulty.

31. Following the directives and guidance for use of the funds allocated I am able to fully support quality of life programs for my personnel without difficulty.

1. Strongly Agree
2. Agree
3. Agree Somewhat
4. Disagree Somewhat
5. Disagree
6. Strongly Disagree
99. Non Response

32. The amounts of funds allocated allow me to maintain facilities in optimal condition without any difficulty.

33. Following the directives and guidance for use of the funds allocated I am able to maintain facilities in optimal condition without any difficulty.

1. Strongly Agree
2. Agree
3. Agree Somewhat
4. Disagree Somewhat
5. Disagree
6. Strongly Disagree
7. Not Applicable
99. Non Response

34. Describe any benefits derived from the controls on your use of the funds.

- | | |
|----------------------|------------------|
| 1. Existence | 7. Intended Use |
| 2. Prevent Overbuild | 8. Account |
| 3. Distribution | 9. None |
| 4. Guidance | 10. Other |
| 5. Planning | 99. Non Response |
| 6. Minimal Controls | |

35. Describe any difficulties created by the controls on the use of your funds.

- | | |
|--------------------------------|-------------------------------|
| 1. Suboptimization | 9. None |
| 2. Failure to Address Emergent | 10. No Trust |
| 3. Timing of Funds | 11. Recoupment of Funds |
| 4. Unglamorous Programs Suffer | 12. Systems/Facilities Suffer |
| 5. Broken System | 13. Estimate / Execution |
| 6. NWCF | 14. Other |
| 7. Insufficient Funding | 99. Non Response |
| 8. Non Value Added Work | |

36. How do the controls on FY 97 funds compare to previous years?

- 1. Don't know
- 2. Much Better
- 3. Better
- 4. No Difference
- 5. Worse
- 6. Much Worse
- 99. Non Response

37. To increase the effectiveness of the use of funds which policy or law change would cause the greatest effect?

- | | |
|-----------------------------------|---------------------------------|
| 1. No change | |
| 2. Change threshold requirements. | 4. Change ceiling requirements. |
| 3. Change fence requirements. | 5. Change floor requirements. |
| | 6. Other |

38. Which category best describes the change to threshold requirements you would make?

- | | |
|---------------------------------------|-------------------------------------|
| 1. Insert threshold requirements. | 4. Reduce threshold dollar amounts. |
| 2. Remove threshold requirements. | 5. Other |
| 3. Increase threshold dollar amounts. | 9. None |
| | 99. Non Response |

39. Which category best describes the change to fence requirements you would make?

- | | |
|-----------------------------------|------------------|
| 1. Insert fence requirements. | 5. Other |
| 2. Remove fence requirements. | 9. None |
| 3. Increase fence dollar amounts. | 99. Non Response |
| 4. Reduce fence dollar amounts. | |

40. Which category best describes the change to ceiling requirements you would make?

- | | |
|-------------------------------------|-----------------------------------|
| 1. Insert ceiling requirements. | 4. Reduce ceiling dollar amounts. |
| 2. Remove ceiling requirements. | 5. Other |
| 3. Increase ceiling dollar amounts. | 9. None |
| | 99. Non Response |

41. Which category best describes the change to floor requirements you would make?

- | | |
|-----------------------------------|------------------|
| 1. Insert floor requirements. | 5. Other |
| 2. Remove floor requirements. | 9. None |
| 3. Increase floor dollar amounts. | 99. Non Response |
| 4. Reduce floor dollar amounts. | |

42. Any comments you have about this survey or the issue of funds controls and how they help or hinder your ability to perform your missions will be appreciated.

- | | |
|--------------------------------|-------------------------------|
| 1. Suboptimization | 11. Recoupment of Funds |
| 2. Failure to Address Emergent | 12. Systems/Facilities Suffer |
| 3. Timing of Funds | 13. Estimate / Execution |
| 4. Broken System | 14. AG/SAG FTE/ES |
| 5. NWCF | 15. Complexity |
| 6. Insufficient Funding | 16. Multiyear Appropriation |
| 7. Non Value Added Work | 17. Targets |
| 8. Minimal Controls | 18. Good Tool |
| 9. None | 14. Other |
| 10. No Trust | 99. Non Response |

APPENDIX C. MISSIONS OF SAMPLE COMMANDS GROUPED BY FUNCTION

Mission	
Administration	
Legal services	
Provide pay, personnel and transportation services to Navy active duty, dependents and retirees.	
To provide consolidated pay and personnel service to officer and enlisted personnel, travel claims processing service to include all civilian employees performing official travel for DOD, and passenger transportation service.	
Develop Navy and Naval doctrine.	
To provide civilian personnel services to approximately 50 activities.	
To provide consolidated pay and personnel services to Navy members attached to specified commands and activities, settle civilian travel claims and provide passenger transportation services to all Navy sponsored traveler, both military and civilian in a geographic area.	
Provide consolidated pay, personnel & passenger transportation services to UIC's.	
C4I	
To provide support to the fleet and shore commands through rapid reliable and secure communications and quality information technology and cryptologic se...	
To design , develop, implement and provide life cycle support for standard fleet non-tactical automated information systems afloat and ashore, and perform such other functions and tasks as directed by COMSPAWARSYSCOM	
Provide telephone and messaging services for both the region and the adjacent region.	
To maintain and operate satellite systems including spacecraft, ground based components and subsystems, so as to fulfill naval and national requirements.	
Provide quality telecommunications and information systems services in cost-effective and efficient manner continually striving to exceed customers requirements and expectations.	
Technical--to provide a full spectrum of secure, effective and reliable automated information system services and telecommunications support to all our customers.	
To provide regional, operational direction to command sites, to execute fleet CINC communications requirements; provide regional information technology support and services to Navy activities; direct remote facilities as required; operate and maintain elements of the defense communications systems (DCS) as assigned; and perform such functions as directed by higher authority.	
To provide initial alerting and sustained support to other tactical and strategic forces through detection, classification, tracking and reporting of subsurface, surface and air maritime activities and other acoustic and ocean environmental data of national interest.	
To provide cryptologic direct support systems installations, personnel augmentation and maintenance support to the fleet.	
Installation operates an HF direction finding facility, and Advanced Tactical Ocean Surveillance System and training facility in support of U>S Navy operating forces, and provides communications relay, communications security, and communications manpower assistance to Navy and other DOD elements within the area.	
To manage, operate and maintain those facilities, systems, systems, equipment's and devices necessary to provide requisite communications for the command, operational control and administration of the naval establishment.	

Mission
Education
Safety education
Provide a quality training environment for Reserve components of all branches of the Armed Services To train officer and enlisted personnel in the basic knowledge and skills required to build competence and proficiency in operating and maintaining the TRIDENT submarine and all associated systems; to provide replacement, conversion, advanced, officer, off-crew, and team training for TRIDENT submarine crew members and submarine support personnel in order to increase and maintain knowledge and proficiency in specific skills; and to provide specialized training and perform other such functions and tasks as may be assigned by higher authority.
To provide basic and advanced instruction and training for personnel of the US Navy, US Armed Forces, Allied military personnel and US government civilian personnel in Naval Special Warfare operations. Also support NSW tactical development and performs such other functions and tasks as may be directed by higher authority.
Provide apprentice, advanced and specialized technical and military training to military construction force personnel.
Train reservists in the aviation mission
Training and administration of the Naval Surface Force.
Train, develop, indoctrinate and evaluate personnel in support of fleet requirements.
Serve DOD by training divers in support of Navy, Marine Corps, Joint and Allied Forces.
To provide direct support to ships and operating forces in the form of continuous maintenance, repair, technical services, and training in order to improve readiness, knowledge, experience and professional skills.
Training for trident submarines.
To provide basic and advanced training in the areas of supply, transportation, maintenance, and other logistic services or DOD and international personnel' and to perform such other functions and tasks as may be directed by higher authority.
To provide quality training for all students.
To train Combat System officers and enlisted personnel in the knowledge and skill required to maintain competency and proficiency in combat systems management, operations, maintenance, tactical decision making and communications; to define functional requirements for Combat Systems embedded training systems.
To develop officer candidates morally, mentally, physically and to imbue them with the highest ideals of duty, honor, and loyalty in order to provide graduates who are dedicated to a career of naval service and have potential for future development in mind and character to assume the highest responsibilities of command, citizenship and government.
To administer those schools assigned which provide a source form which qualified officers may be prepared for military service; train international officers and officer candidates, as required; train US Navy enlisted; provide appropriate logistic support for tenant and supported activities including fleet units; and perform such other functions as directed by higher authority."
Operationally oriented training and support to Pacific fleet units and allied navies.
To prepare our reservists to fights and win our nation's armed conflicts, and to provide contributory support for active forces.
To provide the highest quality basic Marine rifleman training.
To conduct education and training in support of the medical.

Mission
Other (Supply, Recruiting)
Provides for the operation and maintenance costs necessary to recruit men and women for enlisted, officer candidate, and officer status in the Navy. Worldwide operations and media (advertising) management
Recruiting
Recruiting-Reserve-Marines
We recruit and train young Americans to make them Marines.
To provide our customers with top quality material and services, delivered on schedule and at the best possible price.
Provide direct support to fleet and type commanders for waterfront technical and logistical services.
To provide regional Naval Forces quality supplies and services.
Management
Provide Force for mobilization
Contract management--manage assigned contracts for the design, construction, modernization and lifecycle maintenance of ship classes for the Navy and other DOD/DOT components when directed.
Serves as the component Commander for the US Special Operations Command. Provide vision, leadership, doctrinal guidance, researching and oversight to ensure component maritime special operations forces are ready to meet the operational requirements of combatant commanders
To provide policy, oversight, guidance and resources to assist PERSUPDETS in the timely and efficient execution of pay, personnel and transportation support
Regional shore installation coordination and support.
Provide centralized management support for the distribution of active duty enlisted personnel following the overall personnel management policies established by the Deputy CNO MP and the manning policies of the MCAs; manage MCA IS, MAPMIS, and others as directed by higher authority.
To provide quality and responsive personnel and administrative support services for members of the Naval Reserve component.
Contract-Administer Navy and other DOD shipbuilding, design, conversion, and facility contracts at assigned private shipyards, procure and administer overhauls, repairs, alterations, activation's and inactivation's.
Support unified and NATO commanders with fully trained and combat ready forces--Executing all assigned tasks--timely, correctly, safely and decisively.
Responsible for the development of IM/IT strategic policies, plan, architecture, standard guidance and process re-invention support for the entire DON.
Assure the Navy in area can fix, provision, and operate ships, planes, and shore facilities.
Type Commander for shore facilities, associated CNO special Projects and surveillance ships.
Provides detection, tracking and localization of submarines in support of ASW tactical forces.

Mission
Medical
Hospital, mobilization
Outpatient care
To train incoming students basic hospital corpsman skills
Readiness through Education and healthcare
Comprehensive range of emergency, outpatient and inpatient care services to active duty Navy and Marine Corps personnel and active duty members of other Federal Uniformed Services. Prepare and train for wartime contingencies and mobilization.
To provide all personnel assigned to Fleet Hospital billets instruction and training on the assembly, disassembly, establishment of command structure and basic operations of a Navy Fleet Hospital to be ready for world-wide deployment.
To keep members of all armed forces ready to support contingency operations and to provide healthcare to their families and other eligible beneficiaries.
Maintain operational readiness while delivering quality health services in support of the armed forces and other eligible to care.
An ambulatory health care facility. Our mission is to provide and coordinate healthcare and wellness services for active duty members to maximize readiness. We also coordinate or provide these services to all other eligible beneficiaries.
Conduct entry through advanced levels of education and training for officer and enlisted medical department personnel to ensure maximum responsiveness to operational and professional requirements.
To ensure the medical readiness of sailors and marines and to provide quality healthcare to entrusted to our care.
Dental
Dental care
Graduate/postgraduate-mobilization
To provide for the oral health and well-being of our Marines, Sailors and other customers so that they are ready to carry out their global mission
To provide for the oral health and well-being of our Marines, Sailors and other customers so that they are ready to carry out their global mission
To achieve dental readiness for supported personnel and their units, train and educate command personnel.
To provide the best oral health care services through education, prevention and comprehensive treatment.
Provide dental care to active duty.
Training for dental techs, prosthetic techs, dental repair techs, and medical dental admin.

Mission
Ordnance
Explosive disposal technology and logistics for joint services
Provide material and technical support for explosive ordnance weapons and weapons systems.
Conduct magazine operation for surface combatants and technical analysis of weapon systems engineering performance.
Activate, renovate, segregate, store and issue ordnance. WCF
To provide torpedoes to the submarine fleet warshots and exercise weapons
Develop, test, produce and support Naval aviation weapon systems.
To provide strategic missiles and strategic weapon system support to the fleet and other designated activities and to perform such other functions and tasks as may be directed by higher authority.
To safely and effectively receive, store, maintain and issue ordnance for the joint services.
Provide primary technical capability in Energetics for all Warfare Centers through engineering, fleet and operational support, manufacturing technology, limited production, industrial base support, and secondary technical capability through research development, test and evaluation for energetic material, ordnance devices and components, and related ordnance engineering standards to include chemicals, propellants and their propulsion systems, explosives, pyrotechnics, warheads, and simulators.
None
Repair
Repair, alteration, disposal ships and craft at private shipyards and contract logistic support
Facility repair, maintenance
Develop submarine work packages (maintenance, repair and overhaul plans) and related logistics support projects; integrate the requirements of NAVSEA and submarine type commanders and manage advanced planning and engineering efforts for overhauls and certain other availability; manage programs for the procurement and restoration of shipboard equipment; perform engineering functions in support of NAVSEA Life Cycle Managers; conduct studies to develop and maintain class maintenance plans for extended submarine operating cycles; support tycom needs in the work definition and budgeting process, and perform other functions as directed by higher authority.
Intermediate maintenance of 17 ships
Provide a full range of high quality (aviation) maintenance, engineering, logistic and support services to the fleet at a competitive price (aviation depot)
Intermediate and repair of ships passing through or homeported in the area.
Facilities management- enhance customers readiness by serving as the Navy's facilities and installation experts.
Provide facilities, environmental, construction and repair for the area.
Facility planning, design, construction and environmental engineering for the Naval shore establishment within the AOR and Base Closure implementation and custodial caretaking of former facilities pending disposal.
As a partner on the Navy Maintenance Team, we provide the best value in industrial and engineering support for world-wide nuclear submarine maintenance and inter-service regional maintenance.
To be the preferred source for Naval aviation Depot level Maintenance engineering and logistics by providing on time, quality, products and services at the least cost. The Depot is a NWCF organization that provides Depot level maintenance support for aircraft, engines, components, logistics and engineering.
To provide immediate level maintenance support and maintenance training to units of the US Pacific fleet.
Provide submarines, support craft and other designated customers with superior intermediate level: - maintenance and repair, -supply support, -Weapons support

Mission
Support
Support assigned ships and ships companies-logistic, repair, alteration, disposal ships and craft
Aviation support
To provide on-base logistic, facilities and other support services as required to local commands, organizations other US and allied units, homeported ships and commands of the operating forces to meet the amphibious training and other requirements of the Armed Forces as directed by higher authority.
Maintain and operate facilities, provide admin and logistic support to activities and to perform such other functions and tasks as may be assigned by higher authority.
Aviation operate a major airfield and provide logistic services to our tenant commands and all other commands.
Activities to make Marines , support active duty Marines at MCAS and all dependents and retirees in area
Provide service, support and interagency coordination to Navy and Marine Corps commands in the area in the execution of their mission. Preserve Naval Heritage and represent the Navy to the world through Ceremonial Excellence. Provide the best Quality of Life for our area family.
Provide superior quality services and support to US and allied forces.
Provide aviation ranges, support facilities, and services that enhance the combat capability of Marine Corps and other military forces to defend the nations interests.
To maintain and operate facilities and provide services and material to support operation of aviation activities and units of the Naval Air Training Command and other activities and units as designated by the Chief of Naval Operations.
Provide flight, operational, logistical, and fiscal support for joint services, tenant commands and transient aircraft. Train Naval Air Reserve personnel for mobilization.
To maintain and operate facilities; provide services and material to support aviation activities and units of the NETC and other units as designated by CNO.
To provide services and material support for the operation and maintenance of naval weapons and aircraft to activities and units of the operating forces as designated by the CNO.
Provide high quality support to US and allied forces worldwide. We maintain and operate facilities, provide essential services to our customers and ensure the highest affordable quality of life for our people.
Provide the most timely, operationally effective, and provide, logistics support within the DOD to optimize the personal and professional development of all military and civilian employees and be a source of pride to the community and Marine Corps.
To provide support to maintain and operate facilities for administration and personnel support for operations of the submarine force; within capabilities, to provide logistic support to other activities of the Navy in the area.
Provide operations support in the joint Center. Provide cryptologic Shore support and Direct Support to US and allied Naval and military operational forces.
To provide housing, training facilities, logistical support and administrative support for Operating Forces and other units assigned. Further, to conduct specialized schools and other training as directed.
Aviation training support group provides administrative and limited logistical support for assigned marine corps personnel and performs local tasks and functions as directed by this commandant of the marine corps.
To maintain and operate facilities, provide services and materials in support of units of the operations force of the USN and tenant shore activities, and perform such other tasks and functions as may be directed by higher authority.

Mission

Support (continued)

To maintain and operate facilities, provide services and materials in support of units of the operations force of the USN and tenant shore activities, and perform such other tasks and functions as may be directed by higher authority.

To provide, as appropriate, base operating support for operating forces of the USN and for dependent activities and other commands assigned.

Provide logistics and support services to fleet units and shore commands, assigned, and perform other functions as may be directed by major claimant.

Provide administrative and logistic support to the Headquarters , and to provide local security to that headquarters in time of war and during military operations other than war in a deployed or garrison environment. This command is capable of limited third echelon maintenance of organic and ADP equipment.

Technical

Evaluate new signature control technology using large scale submarine models and other unique capabilities

Strategic global inventory management and world-wide distribution of ordnance

Provide global meteorological, oceanographic (METOC) and mapping, charting and geospatial information and services (GI's) critical for safe and effective operations of the Navy and Marine Corps and the Department of Defense.

RDT&E RDT&E, engineering and Fleet support activity for naval aircraft engines, avionics, and aircraft support systems and ship-shore/air operations. The scope of our mission include the acquisition and in-service support of both manned and unmanned air vehicles (UAV's) and air operations form both ship and shore.

To conduct multidisciplinary ocean surveys and assigned scientific and technical programs with resultant products directed toward satisfying U.S. Navy and DOD oceanographic needs for effective weapon and sensor system performance and safe and accurate navigation.

Principle activity for R&D, Test & Evaluation and In-Service support to mine countermeasure, amphibious warfare, special warfare and diving/salvage systems for the U.S. Navy.

Provide the most timely, comprehensive accurate and pertinent Meteorological and Oceanographic products and services to operating forces throughout the region.

To provide independent, professional internal audit services that assist Naval leadership to improve efficiency, accountability and program effectiveness.

APPENDIX D. PROBLEM RESPONSES GROUPED BY FUNCTION

Comptroller Problem**Administration**

They are easily adhered to.

The 100k OPN Threshold for investment property makes it difficult to modify, upgrade, change existing investment items. Policy states that investment items purchased with OPN funds must also be modified, etc with the same type of funds used for the original purchase. Example: In order to add computers to an existing computer network that was purchase with OPN, then OPN dollars are needed. OPN dollars are rarely issued for less than \$100k.

Difficulty only arises when NWCF customers hold back on funding already programmed in the activity's budget.

OPN threshold limits our ability to use available resources on information system projects in excess of \$100k. This limits our ability to take advantage of current technology.

C4I

Ensuring that the thresholds between O&MN and OPN funds are adhered to.

Inflexibility to reprogram funds from having a lot of unnecessary controls.

Fenced civilian payroll money that is not used, could be used for other budget deficiencies.

If overall budget is reduced during the year, subject floor, ceiling or fenced funds must also be cut.

Education

Lack of flexibility--Could prohibit CO faced with shortfall in one area to immediately reprogram funds. He must request and receive authorization from major claimant.

As the funds become tighter, the claimant reacts by imposing more controls on funds. This is the opposite of what is needed at the activity level. As funds become tighter, the activity needs more flexibility, more local control, not less. Controls add burdens to the budget formulations and execution processes. Decisions on reprogramming requests often take months meaning opportunities expire and conditions change. There is disincentive to save funds because the claimant may recoup them for other priorities.

We experience difficulty in getting the services to fund for BOS related items due to their budget constraints.

Lack of flexibility--With the availability of funds becoming tighter and tighter, ceilings and fences create pockets of funds that cannot be used to cover a deficit in another area even though these funds are unobligated. In reverse, it also means that problems are created when funds from other areas cannot be transferred to the control area if needed.

Title X of USCode provide each Selected Reservist with an annual training requirement. We encourage Selected Reservists to request waivers for the training requirement thereby avoiding any potential "denial of entitlement" issues.

Have to reprogram funds and watch controls and rules (i.e. cannot reprogram funds from one AG to another AG. Another rule: Can only reprogram up to 5% SAGs within the AG.

Comptroller Problem

Education (continued)

Fencing of funds severely limits the CO's flexibility to manage funds in the most efficient in current constrained funding environment. For example: 51% of this commands budget was constrained by controls or fencing of funds. Of the remaining 49% of the budget, 74% was fixed costs such as civilian salaries, telephone bills, postage costs, service contracts, custodial, refuse and pest control contracts. This left a "discretionary" amount of only 7% of command's total FY97 budget.

Floors, Ceilings and Fences constitute restrictions, which make it more costly to do business.

Without restrictions, it would be possible to save resources in many areas. Example: funding fenced to Environmental Protection Programs which is not needed might better be spent for course support.

FAD programs such as CDC or FSC are funded to excess while critical infrastructure maintenance of real property suffers.

Controls "handcuffs" our usage of funds, especially when reprogramming is required and cannot be done due to controls.

When funds expended in category "a" example have reached the ceiling point and funds in category "b" are well below the ceiling point funds available in category "b" cannot be used to fund requirement in category "a". Or when funds are available in a fenced area and requirements are needed in another fenced area, funds cannot be moved making it more difficult to manage funds more efficiently.

Other

OPN threshold of \$100k. Eliminate OPN.

Things change. Emergent requirements might present different requirements than those budgeted. Budget adjustments can be arbitrarily imposed. Responding and anticipating these adjustments may necessitate greater flexibility in budget execution.

Salaries and vehicles are sunk costs (must be paid regardless of amount of bill) we must track amounts because of fence.

The \$100k threshold on investment purchases will impact heavily on the O&M in future years as major end items require replacement. O&M is easiest appropriation to be reduced by "marks"; but, it is also being asked to fund more requirements.

The inability to execute high priority requirements in a timely manner.

ES controls do not always match funds available for payroll. In some cases, funds exceed ES controls yet command is restricted from hiring at or over ones ES Control. As always, ES reductions do not match mission requirements and ensuing "controls" limit staffing flexibility.

Capital investment thresholds have lessened over the years now (now at \$100k) but continue to be a stumbling block, especially for equipment and client-server systems.

Comptroller Problem

Management

Fences add an extra hoop to jump through for year end distribution of funds. We get year end dump of funds from USSOCOM if we want to put it toward a fenced area we have to go back and get explicit approval in the form of authority to increase the fenced amount.

Inability to execute as needed though restriction have been loose enough in most cases we've been able to get around them. Thresholds on acquisition of capital equipment have hindered in previous years but as they increase situation has improved.

Inability to purchase large items or systems with operations and maintenance money.

Multi levels of detailed accounting are required.

For the most part, execution deviation from the budget estimates reflects execution year realities not contemplated in the budget. This is particularly true of National Tasking in support of contingency operations when Supplemental Appropriations or DON reprogramming requests are insufficient to fully fund incremental costs. In those cases (nearly every year recently) The Major claimant needs the greatest possible flexibility to accommodate unbudgeted and unfunded costs. Controls tend to limit that flexibility and cause less than optimal funding realignments or reductions within the operational readiness accounts.

O&MN threshold of 100k for equipment not practical with LAN and ADP requirements. Minor construction limit to high, moved from 300k to 500k but field activities do not receive additional funding. Projects in 500k range is too expensive to absorb.

Medical

The current ceiling on travel dollars has been challenging. We are in the process of implementing TRICARE this year. Demand for travel for various TRICARE functions/conferences/training has increased a great deal. Lifting this ceiling would give Comptroller and CO's the ability to align travel dollars to true requirements.

There could have been difficulties if there were restrictions to the use of funds.

I had to transfer a portion of the funds \$14k to the Army, so they could award a contract for a mammo technician that would cross fiscal years.

Dental

Pressure to obligate the funds in the year received.

Ceilings have reduce the level of program services. Inability to redistribute funding without prior approval from higher authority.

Reduced funding- The amount of funds authorized for this command's operating budget is more the problem. (I.e. we are not yet funded at the level where we desire/fell that we should be.)

Controls not the problem.

Inability of command to use funds efficiently. 2. Controls are imposed are imposed by authority which make most CO's feel micromanage. 3. Inability to create and maintain a "Most Efficient Organization".

This FY "temporary fence" was in existence to ensure additional funds received went towards improving Operational Dental Readiness. The broad scope of this created tracking difficulties.

Comptroller Problem
Ordinance
Inflexibility to reprogram funds from having a lot of unnecessary controls.
Lack of flexibility. The tendency is to, wherever possible build a contingency within each "fence", for example, to limit the amount of reprogramming.
Repair
Budget constraint limits funding source for training need and procurement of essential requirements for the command. 2. O&M, N budget shortfalls create a difference between major work schedule and major work funded. 3. Our major claimant have deobligated existing funds without giving prior notice and occasionally causes funding shortfalls.
51% Management rule has caused difficulty on occasion, because a major customer is required to authorize us component refurbishment funds that are eventually tasked by us to another performing activity. One way around the issue is to request the major customer to directly fund the performing activity, but sometimes the customer's regulations state that it absolutely cannot be done. We then have a situation where submarine components must be refurbished at substantial cost, and a 51% Management rule waiver from our claimant must be received for these fund authorizations. If it is not possible for the claimant to issue a waiver, then the components must be refurbished by another activity or vendor at a higher cost. Another problem involves being unable to determine exactly who will accomplish a certain portion of the work at the time the funds are issued by the claimant. Because of the directives and guidance on fund use, it is sometimes necessary to request a change in fund document type later in the fiscal year, thereby requiring a revision to the existing fund document and possibly having the claimant issue another fund document.
The myriad of rules and regulations create an incredible bureaucracy which increases the cost of GOV'T. A \$ is a \$ and the financial managers should be held accountable to properly steward the taxpayers \$\$ for the proper business of GOV'T.
Anytime there is any "grey area" on whether or not funds can be used for a specific purpose, I must do a point paper or special request to tycom to use the funds outside of normal parameters. It can be extremely time consuming. Also, I am asked to justify several times a year why I need the budget the tycom gives me and I get no input into the initial allocation of funds.
Extensive accounting, fiscal, and Program Manager effort to classify, account, Control, and Report on funds usage.
Sometimes more leeway is desirable in the work description in order for the performing activity to realign funding between different projects on the same funding document.
Command cannot easily shift resources to meet changes in priorities.

Comptroller Problem
Support
BOS funding is fenced. Special Interest Items (SII) like Bachelor Quarters have floors and fences with too many dollars while other Base Support has too few dollars. Increased flexibility between SII's should enhance program management.
The MC to MRP spending ratio could be unrealistic when funds are decreased significantly. The money we received for Other Base Operating Support (OBOS) is the largest portion (57%) of O&M,N funds. These funds do not have an advocate to champion our requirements. When reductions are disseminated, it is usually OBOS (the path of least resistance) that takes the cut not the special interest items (SII). At NAS XXX OBOS functions include Supply, Public Works Transportation, Utilities, Air Operations, Fire Department, HRO, Comptroller, etc. These areas of support typically are very labor intensive. Items such as contracts have very long preparatory requirements that sometimes cause difficulty in adhering to our quarterly obligation restrictions. Continuing Resolutions complicate the station's ability to meet these quarterly obligation controls. Reduced funding created difficulties in execution of programs.
When controls are applied, funds cannot be spent of emergent requirements without higher authority. Limits CO's ability to meet mission requirements.
Lack of flexibility--The use of restrictions simply limits flexibility from the standpoint of the receiving command. Understandable from higher echelon, but ties the hands of the receiving activity.
Difficulties were encountered in the budgeting process locally as 'projected' fences we estimated off of the POM last year and the PR99 when putting the budget together for the current BY. For our command these 'projected' fences were quite large.
Unable to meet all mission requirements and support QOL completely. Facilities are often unfunded due to constraints.
A floor reduces the capability of the commander to fund other priorities in Base Operations when mandatory cuts are imposed during the year of execution.
Limited flexibility of command to respond to changing requirements at the activity level. Resulted in directed funding of programs in excess of activity requirements. Precluded funding of programs having activity requirements in excess of controls.
Events occur that affect the use of funds up or down. Restrictions as listed restrict and inhibit the ability to respond to these events I fund the operations of the base.
With controls you often have money in places where it's not needed and shortages in areas where it's needed. Activities are reluctant to request reprogramming of funds as you are identifying "fat" accounts. These well funded accounts will be cut while the short accounts are not plussed up. Additionally, reprogramming may be granted for the current year, but outyears will show cuts to the "fat" accounts with no changes in the short accounts.

Comptroller Problem

Support (continued)

OMN funding is short of the mission requirement. The controls force "dumb" decisions, for example: full funding "MW" because it is fenced at the fleet level and expanding childcare programs, while at the same time not being able to maintain the facility that childcare is occurring in because of a shortage of "PM" funds. The CO should have authority to balance their programs given the execution year realities. Reprogramming to meet the above requirement does not work, because of the 'rice bowl' attitude. Less funding, down about 10% with more requirements.

Use of Navy funds for Direct Support Travel/Purchases is more cumbersome due to requirements for use of SATO vice local travel resources. Liquidation through Navy channels is also slower than with the ARMY.

The same controls that protect funds provided for specific purposes tend to constrain the commander's prerogative to take actions that they feel are necessary to accomplish their mission. Restrictions on execution of funds. Commanding officers need to have the flexibility to execute dollars in the best way without fear of taxes in out years for under execution of a specific program. I.E.: During FY97 the command reviewed each CIVPERS vacancy and rather than filling some positions opted to spend funding on other initiatives - Consequently controls for FY98 include a tax for under-execution of CIVPERS. Congress continues to push commands to reduce CIVPERS costs however when we do we are penalized.

Changing capital investment thresholds tend to complicate recording /reporting of plant properly (Class 3&4)

The subheads are unnecessary in my opinion. They take up time, space and data in the accounting system (SABRS)

Technical

Changes in O&MN/OPN thresholds often create execution year problems since budget is created two years prior and threshold changes occur at the last minute.

The NWCF carryover reduction guidance places some project managers in a restrictive environment regarding Full Funding and creates vulnerability of project funds during the congressional budget cycle. It also allows for less flexibility of out/in-house dollars.

Restricts flexibility in adjusting to fact of life changes and emergent priorities in the year of execution.

Regarding O&MN BOS funding, excessive fencing controls curtail the ability of the CO to manage support to the installation. Even though reprogramming requests are usually approved, these requests adversely impact future allocations and controls in the areas where the funds were taken. The financial resource problems seem to lie in the failure of higher levels to recognize that budgets are estimates and that some variance should be allowed given the dynamic environment surrounding operation of an installation.

Comptroller Problem	
Non Response Mission	
Fencing of R&D funds by expense element provides no benefit to our activity, and MARCORSYSCOM has agreed to discontinue the practice in FY98. Fencing by expense element requires coordination and amendment of funding documents between expense elements become necessary.	
Controls in general restrict the ability of an activity to make prudent management decisions.	

CO Problem
Administration
OPN 100k threshold.
Both types of funding provide problems. When mission-funded resources are cut by the claimant, then activities which receive mission-funded service are cut without their involvement. On the reverse side, reimbursable fund may be cut off unilaterally by the customer based on what the customer perceives the quality of service to be.
I can't replace broken inadequate chairs and desks to meet NAVOSH ergonomic requirements because of these controls.
C4I
Ensuring that the thresholds between O&MN and OPN funds are adhered to and properly executed.
Restricts my ability to modernize to keep up in a business that requires leading edge equipment and conditions. System is not responsive to changes in requirements and submitted budgets are not provided even if they are bare essentials which forces cut backs of provided services.
The controls on our funds are too binding and constricting. For example, a project may exceed costs requirements for O&MN funds, but yet not cost enough to satisfy the requirements for special project funding, thereby leaving the command unable to procure the desired equipment.
The controls slow down the process. Slow execution. Some controls greatly inhibit productivity and are very expensive. E.g. (we have a \$2.5k limit on purchases which can be made using and executed with a credit card. A number of our expenditures are greater than \$2.5k. Going into the big Navy system for these purchases always costs more and is often very slow.
Education
I'd like my funding on an annual basis, not dribbled out quarterly.
Controls as well as lack of funds has us doing work around, accept sub-quality facilities to meet mission requirements.
It masks how little discretion I have to allocate OPTAR, by hiding costs in AG/SAG (new/old)--none of which have meaning to me. After apportioning my budget into the following categories: civilian personnel, facility costs (maintenance/utilities/contracts), other--it became apparent that 93% of the budget was <u>uncontrollable</u> because it fell into the first 2 areas. There is no efficient cost methodology to permit me to see cost by individual course or other command activity. The discussion of priorities is done via seat of the pants vice a data based methodology.
Fencing of MFP-11 prohibits funding of much needed base and facilities. NAVSTA has BOS requirement but is inadequately funded to support tenant commands. As a result, the facilities are unsafe and a disgrace to the U.S. Navy.
Significant 'swings' from one year to the next disrupt programs.

CO Problem

Education (continued)

Guidelines are not the problem, insufficient funding against MRP costs are what the real problems are. Construction costs/Repair costs are astronomical.. Timelines on project completion are ridiculous. I know that civilian industry does not pay 'TAC' prices or tolerate Our MRP is administered by our ISIC.

funding issue, not a control issue.

Fencing of funds practically eliminates the Commanding Officer's ability to manage scarce resources in the most efficient manner. For example, if this activity is overfunded in the Child Development Center area (a 'fenced' area) we are not allowed to reprogram those funds to repair a leaking roof on an administrative building . The practice of 'fencing funds does not encourage overall prudent and efficient use of taxpayer dollars -- on the contrary, it encourages wasteful spending of 'fenced funds.'

Inability to move funds from one sponsor/AG/SAG to another. No flexibility.

Controls, some of which are mandated by political pressures, are counter-productive to mission critical support of students and their quality of life in the classroom. If there was equal budget focus on education and training as there is for environmental, child developments et. all, then I could execute my primary mission more effectively and efficiently.

Artificial barriers to the movement of money (money which is "the wrong color").

Difficulties are created by the thresholds placed on minor construction. Recommend that thresholds dollar amounts be increased.

Other

The controls limit a command from realigning funds within year for program requirements if a ceiling exists, I.E. travel or ADP. Also, the OPN threshold restricts development of systems which allow for advancement with current technology.

Controls obviate and limit the abilities of the commanding officer. Does not allow the CO's capabilities to move the funds between the SAG's.

FY97 provided reasonable flexibility.

Difficulty meeting emergent or unusual requirements.

Limits flexibility.

Management

No significant difficulties by controls on the use of funds, However, meeting the requirements within allotted resources is not without difficulty.

Limits my ability to fund items when I determine it's necessary to do so. I would like more flexibility.

Controls add time to funding process. When a reallocation of funds are required controls require a higher authority to approve such funds movement. This always adds days, sometimes week, to the process. That time to gain approval is burdensome.

The threshold on computer systems limits the commands ability to reach IT21 levels quickly.

CO Problem
Management (continued)
OPN threshold should be removed or at the very least the dollar amounts increased.
For the most part, execution deviation from the budget estimates reflects execution year realities not contemplated in the budget. This is particularly true of National Tasking in support of contingency operations when Supplemental Appropriations or DON reprogramming requests are insufficient to fully fund incremental costs. In those cases (nearly every year recently) The Major claimant needs the greatest possible flexibility to accommodate unbudgeted and unfunded costs. Controls tend to limit that flexibility and cause less than optimal funding realignments or reductions within the operational readiness accounts.
O&MN threshold of 100k for equipment not practical with LAN and ADP requirements. Minor construction limit too high, moved from 300k to 500k but field activities do not receive additional funding. Projects in 500k range is too expensive to absorb.
Medical
Funding for major facility repair and renovation is of major concern. The process to obtain approval and funding is extremely slow. The contracting process to then make the repairs is lengthy and often the finished product does not meet expectations.
Controls on travel.. We are attempting to implement TRICARE Prime which requires a lot of travel. The Travel ceiling restricts my abilities.
It would at times be nice to move funds from one pot to another in order to meet changing requirements.
Dental
Lack of flexibility, difficult to plan, always dependent upon end of year funds, no funding allocation for facility upgrades.
Difficulties are created when one comes into a situation where significant funds are needed in a particular area that is above the ceiling authorized. This may occur as CO's change and the areas of focus are redirected. An example might be a CO who has focused on training (to include significant facilities funds to develop a training area in the command spaces.) This CO may even stay within the recommended allocations for facilities. After three years the second CO gets to the command to find that facilities maintenance has been neglected to the point that major projects will now be needed to upgrade the overall facilities status to satisfactory. To get the command back on line he/she will have to go above authorized ceiling to support the realigned initiatives.
Inability of the command to use funds efficiently. 2. Controls are imposed by higher authority which makes most CO's feel micro-managed. 3. Inability to create and maintain a "Most Effective Organization."

CO Problem
Ordinance
Not fully funded, high stabilized rate.
MILCON delays have caused our CAL labs to be closed. NWCF accounting practices don't work for us. Besides HQ G&A and AOP recoupment, our hourly rate is about \$22 higher than it should. AOR disbursements to Major claimants go into quality of life and other programs and are not filtered back to NWCF bases.
Limits flexibility to fund emergent requirement because of "fences".
Controls reduce or eliminate the CO's flexibility to complete requirements by priority.
Requesting re-allocation of existing controls or fenced funding is often met with opposition by the losing special interest group MILCON thresholds of 500k may hinder doing repairs to a building, sometimes it costs more to repair a building Vs, building a new one.
Repair
Lack of flexibility needed to respond to changing requirements.
The 51% Management rule causes significant difficulty to a command where we subcontract out material refurbishment and logistics/technical support in accordance with Headquarters requirements and in-house FTE constraints.
Huge accounting effort. 2. Not always able to spend the next \$1 on the most important item.
Takes away flexibility, which I believe was the motive, so controls achieved their goals.
Fences on various funds do not permit savings realized to be captured within the command and funds to be reprogrammed.
Support
Doesn't recognize execution year contingencies like environmental sewer rate increase. 2. Forces suboptimization of some programs. 3. Drives spend it all mentality.
Fenced funds restrict CO's options to use funds where most required.
As CO, I need flexibility to respond to changing requirements. Controls cause delays and require interface with outside sources not familiar with the immediate problem.
In some instances, controls/ceilings prohibit reallocation of funds to other areas.
Allows nothing good to be achieved locally. Inability to plan, loss of efficiency, difficulty working between departments, appears arbitrary, allow backroom politics to flourish, if <u>you</u> (the senior staff) need to establish controls, it is because you don't trust me. Let me command, or else cancel the CO billet.
During the year, if I am unable to use funds from MRP, for example, for base support, operational support is cut to stay within the budget. It becomes a choice between mission requirements and keeping buildings in decent shape.
Just that funds fenced for QOL and not providing QOL for the majority of people. We fence money in FSC, MWR and Childcare. Money ought to be fenced for MRP. That would increase QOL for more people.

CO Problem

Support (continued)

Controls on funding limit the ability to move money from project to project without a lot of consternation. This limits effectiveness and efficiency. We really need to nail down the operating cost of each base and then allow the CO to manage their funds dynamically. As it stands now, the mid-year review and end of year sweep are what we hang our hopes on. Big build projects and long term and either funded or not accounting to need and politics. OBOS needs to be done differently. I have a proposal for such a system that we have modeled.

If a CO chooses not to fund a program because it is the right thing to do, that money will just vanish next year. It is not possible to "save" money-in order to apply it to priorities. (I.e. family housing upgrades vs. airfield lighting/runway repair. I am told to operate like a business, but we have so many bureaucratic rules that installation commanders are forced to make "short-sighted" decisions. If the system doesn't trust the CO, good judgement will continue to be inhibited. (Davis-Bacon Act and others are a crime.)

Use of Navy funds for Direct Support Travel/Purchases is more cumbersome due to requirements for use SATO vice local travel resources. Liquidation through Navy channels is also slower than with the ARMY.

Stifles the commanders ability to direct efforts in accomplishing mission. The commander sometimes has to be able to handle unconventional situations without the encumbrance of controls set by conventional financial plans.

Fences do not allow the person responsible for mission accomplishment to apply these ever dwindling, limited resources as they believe mission requirements dictate. I am held responsible and accountable, but controls do not give me full authority to accomplish my mission. DOD commands are NOT business entities. We are government entities tied to

Lack of flexibility to set intercommand priorities

Thresholds imposed limit my flexibility and discretionary use of funds which have a high ROI and would be an intelligent use of Navy funds.

Unnecessary fence on subheads for MPF funding, limits flexibility somewhat.

Technical

A rigidity is imposed which fails to recognize the need to adjust to technological advancement and revised priorities which occur over time.

Very little. My controls are minimum when compared to my budget.

The End Strength and FTE controls ensure under execution of the civilian personnel plan which in turn leads to under execution budget reductions. The OPN/O&MN controls increase probability of violations of USC 1517. The travel ceiling adversely impacts on our ability to perform our mission.

CO Problem
Non Response Mission
Would be nice on occasion to move funds around.
The controls are based on an estimate and if the estimated value is exceeded I must use funds designated (locally budgeted) for other items, resulting in unexpected unfunded items in midyear. (Note: I am attempting to execute a budget whose controls were \$10M short of the proposed \$90M annual budget.

APPENDIX E. COMPTROLLER ADDITIONAL COMMENTS

Comptroller Comments

More flexibility to manage programs with funds provided vice managing dollars would enhance the effectiveness of program management.

There is a need for better communications, clearer guidance that should be provided by seniors to subordinates.

Would like feedback. 2 The overhead expense includes the salaries of management and administrative personnel and other costs necessary to keep the command operation running. Their entire mission of contract administration is funded by an EOB with reimbursable funding received only for non-mission work. Within EOB we have some flexibility of reprogramming funds. 3. We have a maintenance activity send request for work that is the same chain of command we are. Their request never meets the same funding we received. We both should be authorized the same amount, based on Budgeted dollars and needs of the customers. We need to find better ways to manage and report or control maintenance funds. Because of all the different pots of funds the length of time they are available for use, etc. We need one standard DOD accounting system vice the three we currently use today. All the various systems contracts, Supply management, Timekeeping, Travel and etc. , need to speak and react together.

The basic controls on the funds tend to ensure they are used, to the greatest extent possible for the items they were provided to support.

There are numerous DOD regulations, the multi-volume NAVCOMPT Manual, various DON instructions and regulations, DFAS policy statements, etc. The NAVCOMPT manual is being updated, but it's taking years to review/rewrite, and the revised documents arrive sporadically. A separate guidance indicates the we are not allowed to destroy the NAVCOMPT manual until it's completely revised, in spite of the yellowed pages and sometimes outdated information. Sometimes we discover that revised Rules/Regulations/Policies/Instructions were issued two years ago but were never received by this activity. Another issue is that oftentimes information regarding something specific cannot be found only in one source; e.g., some guidance may be found in NAVCOMPT manual, more information in various NAVSEA Policies and procedures, and additional data in other areas. When revised Policies and Procedures are issued, they don't always identify an older version that should be canceled/trashed. Researching specific rules and regulations can be very time-consuming.

This survey is now OBE. All station comptrollers have been rolled up into COMNAVBASE. There is only one comptroller for the region. We will be issued an operating target and it will be managed by the regional storefront.(1) Budget analyst and (1) Budget Assistant.

A multiple year appropriation would provided for more efficient and effective use of funds. Managers could plan projects based on projected funding. Year end spending would cease.

Comptroller Comments

I do not see the need for limitations on the use of funds. If the CO's have undergone a thorough screening process and orientation process prior to taking office then I feel that their judgement on the use of funds allocated to them should be sufficient. I understood the ceiling on travel a few years back, but if a CO has a budget for the quarter and is told not to exceed that budget, then he/she should have the ability to recognize how and where to spend that funding so that the maximum benefit can be realized by his/her command as a whole. My justification for the imposition of a floor on facilities spending is that facilities are now for the most part in need of many repairs to restore them to good repair. This is only because these facilities have been allowed to degrade to their current condition. Once improved/caught up maintenance costs should decrease, but after awhile will be a constant.

Controls should be 'soft' to provide an activity flexibility in transferring funds when necessary.

With O&M funds decreasing and the OPN threshold increasing, it would make sense to combine these typed funds into account, and possibly make that account, and possibly make that account a 2 year appropriation. With equipment prices always coming down and the investment threshold going up, more expense funds are now being used to purchase equipment.

In FY94, Navy simplified the AG and the SAG structure resulting in significantly fewer AG/SAG's. Major claimant, however, retained old SAG's within the new SAGs. Consequently we operate with ceiling and fence controls for 12 old SAGs versus 4 new SAGs. The controls by the old SAG could be eliminated and still provide the claimant with the desired execution information by either (1) accounting by the old SAG but suspending controls or (2) eliminating old SAG altogether and replacing with cost account codes already in use to provide the cost accounting desired by the claimant. Funds need to be decentralized to empower the activity to manage all of its resources. If it manages well, it benefits. If it manages poorly, it suffers. Activities are closest to their requirements and know best what the priorities are.

A specific policy letter from the claimant on how we can implement changes to thresholds as they are increased or some guidance from the ELH would help in budgeting these increased levels. We have to absorb these increased levels over the past few years in equipment thresholds and maintenance and Repair thresholds.

Lack of sufficient funding. FY97 controls are better because in the past we were unable to reprogram into Labor. We now have that option.

I think the climate is right to look at broad/sweeping changes to the way we fund gov't operations. -- Why do funds expire? --Why do we have multiple APPn's to operate the gov't? --Why is it that \$1 can be used to buy a computer, another \$1 can't. There is no difference to the vendor or to the taxpayer who ultimately gives us both \$. These and many rule and regulations are very inefficient.

Inherent within the concept of financial controls is an assumption of the inability or the unwillingness of subordinates to control themselves or of the necessity for superiors to micro-manage the actions of subordinates. These assumptions are not correct. During almost thirty years of Navy financial management, without exception, the Commands I have been associated with have been reasonable and/or responsible. When provided with adequate information they have made the proper financial decisions that best supported their missions. Rather than controlling from afar those persons most knowledgeable of activity level requirements, give those persons the funds which are available for their mission and let them control how they accomplish it. The concept of authority commensurate with responsibility is still a good one and should be followed.

Comptroller Comments

Claimant does not issue ceilings, floors or fences, but targets.

The comments provided were based on our Reserve Personnel, Navy (RPN) execution. RPN is centrally managed, as opposed to our other appropriation O&M NR. Decentralized appropriations may require some administrative fences, ceilings, floors and thresholds, but should be used only in limited circumstances.

The issue of funds control starts with congressional law as set forth by the constitution. Congress wants to control how money is spent and the current framework is set up to direct spending as directed with supporting feedback and reports. Only a fundamental change in appropriation law will enable the process to change. Providing more flexible fences within a fund type would help

There is no incentive for commands to save funds. If you save money in the current year, you will probably not see it included in your base for the following year.

Like I mentioned earlier, I have very little input with my type commander concerning how much money I get (controls). It would be nice to know if my concerns about availability of funds were met.

Prompt release of approved funding by Navy. Prime example is that FY97 OPN was not released until the May-June time-frame.

I believe in the climate we currently live in the \$'s are never enough to adequately meet our needs let alone extravagantly. Managers at the base operating level know where their \$'s are needed most. By all means keep them accountable but let them spend their \$'s where they feel it is most needed.

While our regional commander retains 1517 responsibility, this command is administratively responsible for the control of funds issued to us. Having the flexibility to move funds between valid elements of expense is a major benefit and contributor toward mission accomplishment.

The controls in place for use of funds are adequate. Level of funding doesn't meet the need of the command to maintain equipment and phase replacement of tools.

There are times when programs at the field level would be reduced or eliminated if there were no controls or fences in place. On the other hand, managers are often handcuffed by spending more money in areas where they are fully funded than in areas where funding is extremely short. The only real places where controls should be lifted are areas mandated by statutory law. If these areas need attention...do not make fiscal sense...DOD should petition Congress to make appropriate changes.

There were no controls mandated in FY97, as compared in previous years.

Call me, too many to mention. The overall process needs to be changed.

The problem is that the budget process no longer supports the Base Commander's requirement to long range plan the infrastructure. At a base where a majority of the functions are contracted or "outsourced" it forces very poor execution year decisions. Why award a 5 year BASC for a fixed price if the Navy Budget climate will not support it. Taking execution year or any other year's reductions to the BOSC require contract negotiations and mods. The Navy lost here, especially in execution year, maybe gets \$.50 on the dollar return. The Navy needs to set realistic base operating targets into the outyears and then support those levels. Waiting until November of an execution year to set base funding controls for that year is less than optimal.

Comptroller Comments

Fencing of funds severely limits the CO's flexibility to manage funds in the most efficient manner in current constrained funding environment. For example: 51% of this commands budget was constrained by controls or fencing of funds. Of the remaining 49% of the budget, 74% was fixed costs such as civilian salaries, telephone bills, postage costs, service contracts, custodial, refuse and pest control contracts. This left a "discretionary" amount of only 7% of command's total FY97 budget.

Results will be slanted based on wording of questions.

As a tenant activity, must have flexibility to respond to stabilized rate changes, which have occurred in FY96 and FY97. It is easier to manage FTE than manage to payroll. In the changing times, it is essential that a command have the flexibility to utilize funds as needed to meet its mission goals.

The survey is an excellent idea if TQL principles could be executed.

We are projected to take an 8% decrease in funds for FY99. Due to the necessity of meeting IT-21 requirements by year 2000 and the increased needs of properly training individuals and procuring equipment, a decrease in funds may hinder the command's progress in this area.

Although the focus of this survey is financial, the processes and restrictions involved in purchasing of goods and services hinder our ability to be really fast and efficient. For instance, our open purchase authority at this command is \$10k, whereas another command in the same claimancy is \$100k. The time involved in awarding contracts and other purchases in excess of \$10k hinders our ability to move quickly.

O&MN is facing a crisis---The department tends to overprogram budgetarily, thus requiring major funding program rebalancing during execution. The friction associated with such a process tends to be counterproductive. If the POM/Budget process resulted in a better program/funding balance, the need for overcontrol would dissipate. Unfortunately, in my opinion, that ideal circumstance is not close to becoming a reality in the near future.

We are a service activity and over 80% of our FY97 funding was used for civilian Labor, therefore the restrictions on civilian FTE have a great impact on our operations. Civilian FTE restrictions were not addressed in the survey. In general, fund controls do not allow the local CO to make funding decisions based solely on the need and the mission of the command.

Every command should have control over their budget. CO's and Comptrollers should be able to set all internal controls.

Fences below the "subhead" level should be classified as soft fences and left to the major claimant issue/control.

Simplify budget exhibits (remove duplication- we prepare many more exhibits all containing the same info used by different people). Simplify year end reporting i.e.: if CPRRS data is required to be reported by SIC then have it built into the system to request required info. develop SIC's that correlate to IMAP. DCPDS report (CIVPERS) is not available at shore stations however Major Claimant constantly refers and expects activity to just report out of balance. Standardize staffing at activities in relation to workloads.

Major Claimant still issues controls by old(14) vice new (4)SAG's. These 14 controls make funding execution very difficult with no flexibility. FTE, ADP, travel MRP and environmental controls further restricts funding as needs change in various functional areas.

Survey responses based on operating funds issued to this activity by our major claimant. Does not address reimbursable funding from customer or working capital funds stock material.

Comptroller Comments

The fences tend to restrict the latitude in utilization of your total funds. Also, if you don't meet the fences dollar amounts you are open for reductions in future years.

In general, I don't believe in any restrictions to the funding an activity receives as this interferes with the CO's prerogative. The only exception is in the RPM/QM area where we need to establish a floor in order to provide at least a minimum level of capitalization of our real property assets. If we keep robbing our maintenance of our infrastructure, it becomes a bigger bill in the future and eyesore detriment to morale for our current workforce.

My biggest problem is that price increase due to inflation and new requirements, and we are not adequately funded for the deltas.

Funds controls are a good tool for managing funds and should remain in place.

Although there have been no controls set for the last few years, we did have controls on travel a few years ago. The main result from these controls was extensive hours spent on monitoring a very small percentage of our overall funding. Rather than simply giving guidelines on appropriate travel and allowing commanding officers to decide how much to spend, we were only allowed a certain dollar amount which was based on the number of personnel attached to the command. There was no allowance for individual requirements of needs.

LONG TERM: Recommend knocking the ability to realign funds between appropriations (MPMC, MPMCR, O&M, MCR, etc.) down from CMC to the MARFORPAC/LANT level. If local commander controls all this, and can reap the benefits of savings and re-alignment authority, you would see unlimited increase in efficiency and flexibility. It would probably take 5-10 years to get the current accounting system (SABRS/IMAS) ready to handle this. Would also take Congressional/General Officer involvement. A CEO and CFO/board of directors, control payroll, healthcare, temps, etc. Why not give some authority to a CG who must make life and death decisions? SHORT TERM: O&M, MC funds of this Forces type command are generally managed and controlled adequately. Most fences are imposed by the higher HQ, a MARFOR Commander, and are his prerogative as the commanding general. The fences imposed by CMC have little affect on the daily operations or our mission, in the overall sense.

COMREL and ORF should be fenced funding in Expense Limitation. No need for separate appn.

Another form of "funds control" occurs at the execution level, where the fiscal staff reviews individual documents for appropriateness, funds availability and accuracy of accounting data. The extent of these reviews varies from command to command depending on program funding level/flexibility. It is the opinion of this Comptroller that these controls are vital. The accuracy of accounting data has serious implications if not monitored. The use of automated systems to perform such reviews is key and can eliminate the paper, limit the need for fiscal staff reviews and provide electronic interfaces with supply, procurement and official accounting systems.

From my perspective, it is very difficult to answer these questions regarding funds control. I do not believe they apply directly to a NWCF.

APPENDIX F. COMMANDING OFFICER ADDITIONAL COMMENTS

CO Comments

Controls are arbitrary vice requirement driven, particularly at NAVCOMPT level 2. Controls are historically derived vice need or challenge derived. 3. Controls suboptimize some things for sake of others w/o concern for local problems and issues. 4. Too much time spent managing to controls vice managing to needs/customer requests.

During more prosperous times, the imposition of fences to ensure certain areas received appropriate political attention was easy to live with. But now, with station/installation budgets being acutely attacked in most areas, these fences only serve to hinder overall management at the level most knowledgeable of the problems. Metrics must be developed to determine base operating expenses and then budgets assigned IAW these metrics. Funds should then be apportioned appropriately (w/o fences) and installation commanders and local staffs allowed to do their jobs.

I do not believe this survey is particularly relevant to a major claimant.

Updating of governing Comptroller regulations across the DOD and Navy spectrum is required to ensure clarity of regulations and remove conflicting guidance.

I would like to see the term controls be retitled as guidance levels. With the support of the XO, Comptroller and the HSO, decisions are rarely made in a vacuum. If the CO makes the decision as the onsite commander to exceed the controls it should not be viewed as a negative impact item.

As operating dollars go down and commercial activities increase allow CO's the latitude to move \$ to different pots/uses. If we can do a project/function at a reduced rate and produce a cost saving then let us use it where we need it, i.e. Incentive innovation and cost effective operation.

Issues, thresholds, floors, and ceilings are not my problem. My problems are: Insufficient resources at the beginning of the year--Mid-year appeal for money to get through the year.--Spending money in September like a binge gambler. --AG/SAGs which have no relevance to what this command does.--Lack of cost accounting methodology pertinent to a training command.--no one can say what it costs to produce a graduate of each of the courses we teach.

Best use of controls is for multiple-year stability in program management. As a 'Shaping tool' for a given year, they are a significant hindrance!

What I would like: -Multiyear funding with rollover. --OPTARs earlier in FY. --Change procurement regulations

Contact me.

The comments provided were based on our Reserve Personnel, Navy (RPN) execution. RPN is centrally managed, as opposed to our other appropriation O&M NR. Decentralized appropriations may require some administrative fences, ceilings, floors and thresholds, but should be used only in limited circumstances.

There is no incentive to save money. If you don't spend it, you have to give it back to your major claimant.

The command may not receive it in the following year. There should be incentives for saving money.

Improved timeliness in the release of approved funding by Navy would be most helpful.

While our regional commander retains 1517 responsibility, this command is administratively responsible for the control of funds issued to us. Having the flexibility to move funds between valid elements of expense is a major benefit and contributor toward mission accomplishment.

It seems that with new technology we have the capability to engender new thought on how to manage in an "adaptive" way. Controls are vehicles built from uncertainty and mistrust. The cost of doing business this way eats up our precious resources. If you really want to discuss ideas for change in the real non-linear world, please call me.

CO Comments

Shore installations are a low priority and they should be Ships and aircraft are where the Navy needs to place its limited funds. Too much overhead. We have too many bases, but politics won't allow for analytical decisions-it's all "lip-service." We have too many quality of life programs and can't afford them. Family Service Centers are too big (stress management? - Go to the gym!) Child development centers. Should be 100% outsourced-without DOD rules (Military Childcare Act of 1989.) Our base spends \$1M per year in appropriated funds to augment 250 children--\$4000 voucher per child! "QOL" is about leadership-Not programs. Base CO's will always find a way to get the job done. We're Naval Officers. We just won't be smart about it. Some DOD rule will force us to ignore what is best for the greater good, the Navy!

Regarding questions 30-34, I receive only initial funding to make QOL improvements to my one designated BEQ. Through an ISA with Fort X, the Army is responsible for facilities maintenance/repair. As such, I do not receive funds to maintain "Optimal" conditions. While Army standards tend to be lower than the Navy for BEQ's, as a new command with a newly renovated BEQ, this has not yet become a problem.

Fencing of funds practically eliminates the Commanding Officer's ability to manage scarce resources in the most efficient manner. For example, if this activity is overfunded in the Child Development Center area (a 'fenced' area) we are not allowed to reprogram those funds to repair a leaking roof on an administrative building. The practice of 'fencing funds does not encourage overall prudent and efficient use of taxpayer dollars -- on the contrary, it encourages wasteful spending of 'fenced funds.'

Funding for major facility repair and renovation is of major concern. The process to obtain approval and funding is extremely slow. The contracting process to then make the repairs is lengthy and often the finished product does not meet expectations. Funding controls for O&M funds have not been viewed as obstacles at this level and size of command.

You should address the questions to each of the major claimants; have them explain where the controlling language originates. They will give you a different perspective. Our organization is primarily funded by O&MN. Our problem is that program sized to perform mission and budgeted is not provided adequate financial resource until very late in the fiscal year. --Controls wouldn't be a problem if adequate funding was available.

Your survey may have been answered better by a "Base Commander" vice a "tenant command."

The survey is quite lengthy. Also I would appreciate some information provided up front as to how the survey will be used. Some will not respond because they are unaware of who and how the data will be used.

The budget process must get fixed ASAP. Money and people get cut first, but the requirements stay the same (cart before horse) Political interest groups have too much control in areas other than critical mission. You need to call each activity CO to get more background data to support each question. An interview is appropriate. Call if you need more specific info.

CO Comments

I have two basic frustrations associated with Financial Resource Controls: 1. People are selected to command; by extension, we are expected to make judicious decisions that affect the effectiveness of our commands in mission accomplishment. -it is given that resources are limited and being reduced in each succeeding year. - however, fences do not allow the person responsible for mission accomplishment to apply these ever dwindling limited resources as they believe mission requirements dictate. -in short, I am responsible, I am accountable, but I do not have full authority to accomplish my mission.(continued)
 (continued from previous)2. DOD commands are not business entities. We are government entities tied to financial controls over which we have little if any say and which change as the political will of the government changes from one administration to another. -when DOD system requires commands to "operate more like a business" without giving us business like tool to manipulate our resources.....- hiring/firing of both military and civilian personnel -zero fences on funds -multiple year fund allocation for longer term "business plan" executions. -allow us to keep the funds we recoup through cost avoidance for reinvestment purposes.it is ignoring the differences in the two systems and thereby limiting our ability to achieve true efficiencies. (continued)

(continued from previous) I believe it is strong testimony to ALL the people in the DOD system that we get as much accomplished as we do given all the limitations placed on maneuvering our ever declining resources. Best wishes in turning the info you have gathered about financial controls into a new process which will allow DOD/Navy commands to affect true efficiencies.

Our mission and requirements, including new ones, are constantly increasing without an appropriate adjustment. We are penalized for cost of living raises for our civilian employees without a corresponding change in funding line. No planning for inflation is ever made.

Funds control and the authority to manipulate fences, ceilings, thresholds and floors should be knocked down to a lower level, as Congress allows, this will increase effectiveness and efficiency and save money.

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